Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Peso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es175
Denmark	DKr13	Korea	Won 2800	Qatar	QR10.00
Egypt	E£3.00	Kuwait	Fils.600	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	[illegible]
Iceland	IKr150	Nigeria	Naira15	Tunisia	Din0.900
India	Rs28	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,428

Monday April 15 1991

D 8523A

GERMANY

A monetarist takes over at Treuhand

Page 2

World News

Italy fears ecological disaster as tanker sinks

Experts are trying to prevent an ecological disaster after a blazing supertanker that had been spewing oil into the Mediterranean for three days sank close to the scenic Italian Riviera. Page 14

Paintings recovered

Two armed thieves stole 20 paintings by Vincent Van Gogh from Amsterdam's Van Gogh Museum but abandoned their haul, worth more than $300m, less than an hour later. Page 2

Georgia defiant

Georgia's parliament boosted the Soviet republic's independence bid by electing nationalist leader Zviad Gamsakhurdia as its first executive president. Page 2

Visit raises hopes

This week's visit to Japan by Soviet president Mikhail Gorbachev raises hopes for a solution to the long-standing dispute between the two nations over the Kuril chain of islands. Page 2

Row in new cabinet

An unprecedented row broke out within Italy's new government hours after premier Giulio Andreotti announced his cabinet. Page 2

Kuwaiti drug arrest

A member of Kuwait's ruling family admitted that he smuggled heroin into Egypt but denied he was a drugs trafficker. Sheik Talal Nasser al-Sabah, 33, was arrested outside his Cairo home.

Palestine plan

Israel is reported to have formulated proposals for Palestinian autonomy in the occupied territories. But the plans stop short of the sovereignty Palestinians want. Page 4

Honecker 'serious'

Ousted East German leader Erich Honecker, 78, was operated on at a Soviet hospital shortly after being flown to Moscow last month and remains seriously ill, according to German newspaper reports.

Philippines kidnap

Philippine gunmen kidnapped a Chinese businessman, the 27th person abducted by criminal syndicates during the past seven months.

Crackdown on cults

Nigeria's military government vowed to crack down on rival secret cults at universities suspected of bizarre ritual murders, mutilations and rapes.

UK diplomat leaves

A British military attaché in Algeria has left the country after Algerian radio said he was found with a camera in a region where photographs are forbidden.

Back in business

Iraq's second-largest oil refinery, hit by US and allied bombing during the Gulf war, will start production of some oil products today, the newspaper of the ruling Baath Party said.

Police kill gunman

A 19-year-old gunman who said he wanted to die took two women hostage in a crowded discount store in Portland, Oregon, and wounded two officers before he was shot dead by police.

Albanian silence

Mistrust and silence are blocking an official inquiry into the deaths of four opposition activists shot in the aftermath of Albania's first multi-party general election.

Poisoning kills 19

At least 19 people died from food poisoning after eating salted fish in a spring feast in Egypt. A shopkeeper has been detained.

Business Summary

Microsoft to face US anti-trust investigation

The US Federal Trade Commission is investigating Microsoft, the world's largest software company, in a wide-ranging anti-trust inquiry.

Microsoft said it had been told the FTC would examine third-party allegations that Microsoft "has monopolised or has attempted to monopolise the market for operating systems, operating environments, computer software and computer peripherals for personal computers". Page 15

EUROPEAN Monetary System: A fall in year-on-year UK retail prices and unchanged Spanish inflation in March had no great impact on sterling or the peseta on Friday. They remained the two strongest members of the ERM despite a cut in UK bank base rates and speculation that this may lead to an easing of Spanish credit policy. A slight tightening by the Bundesbank failed to boost a weak D-Mark, while the French franc was anchored to its floor against the peseta and was supported by the Bank of Spain. Currencies, Page 27

EMS GRID April 12, 1991

The chart shows member currencies of exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate within 6 per cent fluctuation bands.

WESTINGHOUSE Electric, diversified US technology group, reports a 53 per cent drop in first quarter earnings. Page 17

INDIA'S finance minister assured international creditors that New Delhi would not default on debt repayments. Page 2

OERLIKON-Buhrle, Swiss industrial and armaments group, plans restructuring of capital to absorb heavy losses. Page 17

NIPPON Steel, world's largest steel producer, is moving into computer manufacture as part of plan to diversify into electronics. Page 17

JAPANESE companies which went bankrupt last year left debts of Y3,500bn ($25.5bn), the third-highest annual total on record. Page 4

BULGARIA: Western creditor banks would lose money if they precipitated crisis in Bulgaria by pressing for early payment of its debt. Page 2

DRESDNER Bank, German commercial bank, reported only a modest rise in group profits for 1990 after big rise in spending caused by its expansion in east Germany. Page 17

NESTLE, Swiss-based food multinational, has acquired Intercsokolade, Hungary's second largest chocolate company. Page 17

Iraqi Kurds wait in the mud of Isikveren refugee camp, Turkey, for a parachute drop of relief supplies yesterday

US to protect refugees in southern Iraq buffer zone

By **Nancy Dunne** in Washington, **John Murray Brown** in Van, eastern Turkey, and **Tony Walker** in Cairo

US FORCES in southern Iraq have begun to withdraw to a border "buffer zone" in which they will continue to protect Iraqi refugees, Mr Richard Cheney, the US defence secretary, said yesterday.

Thousands of fleeing Kurds and other Iraqis have moved into the Euphrates area since the end of the Gulf war, where they have been protected by American troops.

"We clearly are not going to withdraw and end the effort in a way that leaves these people vulnerable or results in more deaths which otherwise would have occurred," he said.

Iraq has broken the back of twin revolts, by Kurds in northern Iraq and by Shia moslems in the south, which flared following the rout of the Iraqi army in the Gulf war.

A ruthless campaign against rebel areas has produced one of the worst refugee crises in modern history, with an estimated 2m people displaced in both the north and south.

The 15km wide buffer zone will encompass 10km in Iraq and 5km in Kuwait. US troops will provide protection and relief within that area until it can be turned over to international authorities, perhaps the United Nations High Commissioner on Refugees.

In spite of the setting up of buffer zone in the south, the Iraqi military was yesterday continuing its attacks on Kurdish rebel-held northern areas a day after President Saddam Hussein told refugees they had nothing to fear if they returned to their homes.

The Iraqi leader, making one of his rare public appearances since the onset of the Gulf crisis, visited the Kurdish town of Irbil near the Turkish border at the weekend and repeated his amnesty offer.

"What is past is past. We are starting anew," Mr Saddam told local Ba'ath party officials in remarks given wide prominence in Iraqi newspapers.

In Baghdad, a UN delegation began talks at the weekend on how to deal with the refugee crisis. Mr Eric Suy, a Belgian official leading the UN team, met Mr Saadoun Hammadi, Iraq's prime minister, and other government officials on Sunday.

Mrs Sadako Ogata, the UN high commisioner for refugees, arrived in Tehran, the Iranian capital, on Saturday on a similar mission. Mrs Ogata told reporters on her arrival that her aim was to determine the refugees' immediate needs.

In south-east Turkey yesterday a massive relief airdrop by US, UK and French aircraft was continuing. Two UK Chinook helicopters made their first drops near Semdinli, the most easterly point on the border where bad roads have hampered efforts to reach thousands of refugees. Many of them turned back from the Iranian frontier.

The Chinooks will be joined by an additional seven helicopters, six of which are currently in Cyprus, having returned from the Gulf.

The US is also deploying 16 helicopters at a base near the border to ferry emergency aid to beleaguered refugees stuck in deteriorating weather in the snow-capped mountains.

The first of the 3,500 US soldiers arrived at a port in southern Turkey yesterday aboard three warships. Meanwhile at Van, a Soviet transport aircraft carrying EC food and medical aid also arrived over the weekend.

According to US Colonel Don Kirchoffner, in the first week of the operation US, French and UK transport aircraft together with US Navy Super Stallion CH 53 helicopters made more than 700 drops to the refugees.

As the second week of the operation gets under way the US is to deploy Chinook CH 47s, each with a payload of five to six tonnes, to airdrop supplies from Diyarbakir where much of the international aid is currently stockpiled.

In addition the US has sent 50 trucks to a supply base at Silopi, from where they will be lifted to the refugees. As assistance starts to reach the area the government in Ankara is under increased pressure to relent on its policy of confining the refugees to border areas where lack of accessibility, the severe climate and shortage of water is threatening the relief effort.

At Cukurca, a camp of 50,000 Iraqi refugees just inside Iraqi territory, one aid official described conditions as the worst he had ever seen.

US administration officials once again warned the Iraqi government not to interfere with relief operations. However, they said they would not intervene in fighting between Kurdish rebels and Iraqi forces.

Rebel Iraqis in Damascus said the Iraqi military was still employing helicopter gunships, tanks and artillery against the Kurdish resistance on the borders of Turkey and Iran in spite of a US warning to Baghdad to cease hostile acts north of the 36th parallel.

EBRD may commence lending programme from June

By **Peter Norman**, Economics Correspondent, in London

THE European Bank for Reconstruction and Development hopes to begin lending to the former communist countries of eastern and central Europe before June this year, according to Mr Jacques Attali, the bank's president-designate.

In an interview with the Financial Times, Mr Attali said the first operations would probably take the form of co-financing with other international institutions such as the International Monetary Fund, the World Bank and the International Finance Corporation.

Speaking before today's inauguration of the London-based bank, Mr Attali underlined that the organisation would be cautious in building up its loan portfolio.

As a result of Mr Attali's extensive travelling in the Soviet Union and eastern Europe in recent months, it is likely that the bank will also focus on providing western technical assistance to help the former communist states create market-based economies.

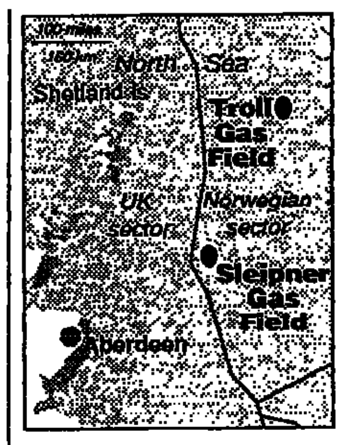
This week Mr Attali will seek additional "special funds" from some of the 39 nations and two European Community bodies that are setting up the bank.

The funds would finance technical assistance and training programmes that would be additional to the bank's normal lending and investment activities. The bank will have a capital of Ecu10bn ($12.2bn), of which 30 per cent will be paid-in and available for equity investment in eastern and central Europe.

"Base case assumptions" prepared by the bank's treasury department suggest that the organisation could commit itself to lending Ecu5.5bn and make equity investments of Ecu600m in its first five years of operation. This would rise to Ecu12.6bn and Ecu1.8bn respectively over its first eight years.

The expectation is that these commitments would encourage other lenders and investors to join projects supported by the bank.

● Finance ministers from the Group of Seven leading industrial nations met at 11 Downing Street last night for informal talks on the world economy after the Gulf war. Monday interview, Page 30



European gas demand outstrips supply

By **Karen Fossli** in Oslo

SPIRALLING demand for gas from Europe's electricity industry is threatening Norway's ability to supply all its potential customers in the second half of the 1990s.

Despite indigenous North Sea gas reserves exceeding 2,000bn cubic metres, the problem of meeting growing demand has arisen from the lack of a national gas export strategy.

Only two years ago, Norway was concerned that it might be unable to increase gas sales and that its oil-dependent economy would suffer as revenue from oil sales fell as production declined.

Norway, in addition to being one of Europe's largest gas producers is, apart from Britain, the region's biggest oil producer, with a daily output of 1.9m barrels. Crude oil production is not likely to rise significantly beyond the current rate.

But earlier pessimism over the possibility of expanding gas markets has been transformed into optimism by a "green wave" sweeping Europe in which gas is considered a more environmentally friendly fuel than oil in power generation. Annual gas sales in recent years have been in the range of 25bn cubic metres (bcm) but this could double by the turn of the century.

Under the Troll/Sleipner gas sales agreement signed in 1986 between Norway and a consortium of European buyers, 30.51 bn cubic metres (bcm) is committed under the contracts. Between them, the Troll and Sleipner East fields have reserves of just 26.5 bcm.

To help to fill the shortfall, the owners of the Troll field have agreed to sell an additional 3.7 bcm from two other fields, the Veslefrikk and Brage, on behalf of those fields' owners.

South African right-wing group may attend multi-party talks

By **Michael Holman and Patti Waldmeir** in Johannesburg

THE PROSPECT of right-wing participation in South Africa's proposed multi-party constitutional talks improved yesterday with the disclosure of a confidential document drawn up by the ultra-right Conservative party proposing that the party abandon its opposition to talks.

The 48-page document, written at the instigation of Conservative party leader, Mr Andries Treurnicht, warns that unless the party joins negotiations due to begin later this year, it runs the risk of becoming irrelevant.

Up to now, the party's policy has been to insist on a separate homeland for whites, and to refuse to discuss a post-apartheid constitution to share power between blacks and whites.

Its official policy remains to reject negotiations, but there are signs of a split developing over the issue, and the document suggests that this policy may soon be abandoned.

Published in yesterday's Johannesburg newspapers, the document suggests that most white voters now support the political reforms initiated by President F.W. de Klerk, and that he would win a whites-only referendum on a new constitution due to take place before the end of his term of office in 1994.

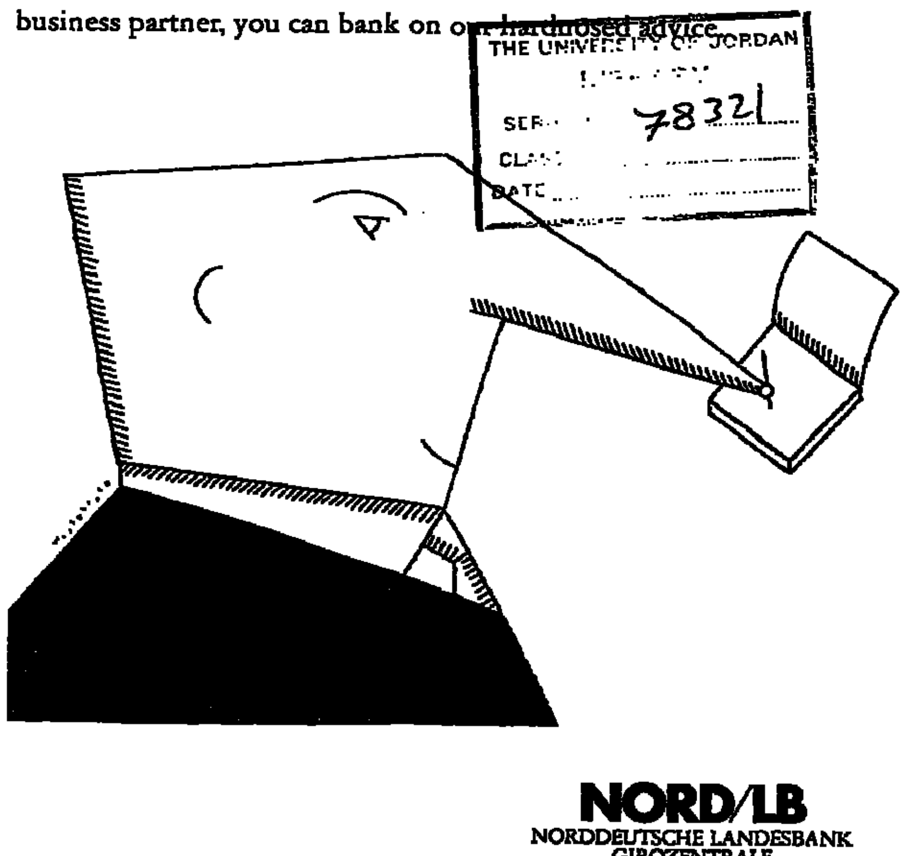
"We have to accept that the days of apartheid are numbered," the paper argues, though it goes on to propose that South Africa would be divided into 20 regions, some of which would be separate white homelands. It seems highly unlikely that this proposal would win acceptance at the conference, but both the National Party and other political parties are likely to welcome Conservative participation.

The timetable for talks remained uncertain, however, as the ANC made a renewed call on its supporters to form self-defence units. The call came from ANC deputy president, Mr Nelson Mandela, speaking at at a funeral in Alexandra township, near Johannesburg.

Such rhetoric is likely to anger Pretoria, but will have little impact on the peace process which is currently held up by the dispute over the recent ANC ultimatum giving the government until May 9 to take more effective measures against the spiralling township violence.

Fighting between ANC supporters and those of the rival Inkatha Freedom Party continued at the weekend, spreading to an area near the home of Mr Mandela in Soweto, where four bodies were discovered by police on Sunday.

● European Community Foreign Ministers are expected to endorse lifting of remaining EC sanctions against South Africa, covering exports of iron, steel and Krugerrands, when they meet later today in Luxembourg. The development will be welcomed by Pretoria, which has voiced increasing concern at the impact of sanctions on an economy in recession.



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THE MONDAY INTERVIEW

For Jaques Attali, the European Bank for Reconstruction and Development — of which he is to be the president — is only a means to achieving a much bigger goal: "to make irreversible the end of the split of the European continent.." Page 32

FT SURVEYS THIS WEEK

Pension fund investment

Recovery from the setbacks of 1990 have been strong, but these are still potentially troubled times.

■ **WEDNESDAY:**

Telford & Shropshire: recession brings unemployment and slower growth after a buoyant decade.

■ **THURSDAY:**

Europe's Offshore Centres: Competition is fierce among smaller states to act as magnets for clients who are shy of tax or rigorous regulation.

Pension Fund Investment: *(see panel, left).*

■ **FRIDAY:**

Canary Islands: Its body is very much part of Spain, and the European Community, but its soul is more in Latin America.

Business Parks: the property market's youngest sector takes the brunt of chill winds in the economy.

Party dispute puts pressure on Italian cabinet

By Haig Simonian in Milan

AN unprecedented row has broken out within Italy's new government, barely hours after Mr Giulio Andreotti, the caretaker prime minister, announced the list of ministers in his new administration, Italy's 50th since the second world war.

Three Republican party ministers have decided not to take up their posts, following claims by the Republicans that Mr Andreotti did not give them the ministerial posts promised in last week's talks on resolving the country's political crisis.

The new crisis within a crisis means only four of the five parties which have governed Italy in coalition since the early 1980s are likely to be represented in the government. However, the Republicans are expected to form part of the governing majority in parliament.

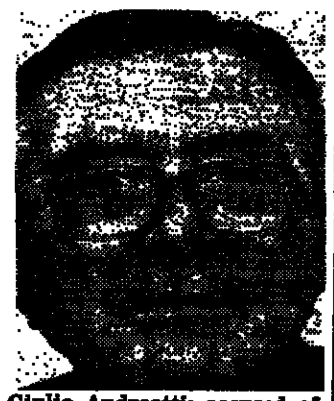
The party, whose secretary, Mr Giorgio La Malfa, resigned on Saturday following the débâcle over the cabinet positions, is due to meet this afternoon to decide its next move.

Meanwhile, Mr Andreotti has taken all three of the disputed ministries – state shareholdings, culture and regional affairs – under his wing on a temporary basis, at least until the new government presents itself before parliament tomorrow.

In a statement on Saturday, the Republicans accused Mr Andreotti of not observing the rules of consulting them adequately in forming the new government.

Mr Andreotti, whose task in allocating ministries has been complicated by the need to find positions for the left wing of his own Christian Democratic party, which has now decided to re-enter the cabinet, said that ministerial positions had been offered to the three candidates the Republicans put forward.

The dispute has been exacerbated by the fact that the



Giulio Andreotti: accused of ignoring Republican ministers

Republicans were not offered the Ministry of Posts and Telecommunications.

The portfolio was formerly occupied by one of their leaders, Mr Oscar Mammi.

The ministry has grown in political importance as a result of new laws passed last year on monopoly control in broadcasting and the media.

This legislation will seriously affect the activities of Mr Silvio Berlusconi, Italy's media magnate.

Meanwhile, President Francesco Cossiga, has attempted to explain his acquiescence to the new government's decision to put off discussion of constitutional reform until after next year's general elections. In a rambling television interview, the president said that avoiding early elections in the last year of the present parliament had to take priority over all else.

That is a far cry from his earlier unparallelled political interventions, in which Mr Cossiga endeavoured to place constitutional reform at the top of the political agenda.

Despite all his fighting talk about using his powers to the full to ensure political reform, Mr Cossiga appears to have accepted the new government's programme without demur.

Soviet anti-crisis plan skirts controversy

Important concessions are now being made to the republics, Leyla Boulton writes

THE Soviet government has proposed a revised anti-crisis programme aimed at halting "economic chaos and collapse", against the grim backdrop of a 12 per cent fall in national income for the first quarter of this year.

In a significant concession to the increasingly independence-minded republics, the programme, distributed to deputies ahead of a full debate next Monday, makes no mention of a need to sign the proposed Union Treaty, suggesting instead that republics just sign agreements securing a unified economic policy and a single market.

The programme makes key concessions to the republics. It offers to withdraw recent central government restrictions on exports as well as swingeing taxes on foreign currency earnings of Soviet enterprises. It limits central government responsibilities foreseen by initial drafts of the Union Treaty, but requires in return that republican leaders ban strikes for a year and share a common financial and social policy, as well as responsibility for paying off the country's foreign debt.

The programme envisages radical measures to attract foreign investment, including the concessions to foreigners (to be agreed with republics over the next two months), and legislation, to be presented by June 1, allowing repatriation of profits in hard currency. In a move of particular significance to the former Comecon countries, hit by the switch from rouble to dollar trading, it also relaxes a ban on foreign barter deals. It will allow barter deals which bring essential foodstuffs and consumer goods into the country, and allows a resumption of payments to eastern Europe on a clearing basis and in national currencies.

By stressing the need for foreign investment and enhanced co-operation with international organisations such as the IMF, the text also retreats from earlier xenophobic comments by Mr Valentin Pavlov, the Soviet prime minister.

It is proposed in the programme to stabilise the rouble by moving to internal convertibility of the currency and expanding the domestic hard currency market while banning foreign currency deals between enterprises. It intends to support the ailing Soviet currency through tough fiscal policy and raising the supply of goods, partly by selling off housing, plant and equipment.

The anti-crisis programme, however, skirts around controversial areas which helped account for last year's rejection by conservatives of the radical 500-Day economic reform Programme. It makes no mention for instance of breaking up collective farms and rapidly rationalising and privatising heavy industry proposed in the plan drawn up by economists under Professor Stanislav Shatalin.

Without explicitly endorsing private land ownership, it does, however, encourage republics to continue the privatisation of agriculture (Russia and other republics have already adopted legislation allowing the sale of land to peasants). In an attempt to avoid a repeat of last year's problems in collecting the harvest, it also provides for the use of of troops to collect, process, and transport this year's crops.

The programme provides for the privatisation of small businesses with emphasis on food trade and services, saying two-thirds of such enterprises should be out of state hands by the end of 1992. But it sets no targets for privatisation of big and medium-sized enterprises, saying this should be pursued jointly by the centre and the republics.

At the same time, it provides for an emergency regime of centralised food and grain distribution, and the maintenance of centrally-planned contracts for industrial enterprises for a one-year-period.

This means that small businesses will be hard pressed to get hold of goods to sell in a privatised retail network.

While the programme provides for achieving the liberalisation of most prices by October 1992, by gradually eliminating administrative controls, it is not clear how the government will cope with hyper-inflationary pressures.

Gorbachev's Japan visit raises island hopes

By John Lloyd in Moscow and Stefan Wagstyl in Tokyo

FOUR small islands, with a few thousand inhabitants, some military installations and a lot of fish, have kept relations between the Soviet Union and Japan icily formal since the war. No treaty has been signed since hostilities between them stopped: though not at war, they are not at peace either.

Now, with the visit to Japan this week of Mr Mikhail Gorbachev, the Soviet president, the air is pregnant with possibilities.

The Kuril Islands stand between the two countries, north-east of Japan and south-west of Siberia. Soviet soldiers seized them in 1945 although Japan has never gives up its claim to the islands, which it calls the Northern Territories.

The possibility of the Soviet Union restoring the islands to Japan after 47 years is now being mooted, especially on the Soviet side, where suggestions that Japan might pay a large price to get the islands back is being talked about with some eagerness. In Japan, there is less optimism about the possibility of a settlement although Foreign Ministry officials say they are looking for "a breakthrough" on the territorial question.

The territorial issue apart, there is a widespread – if rather vague – hope in Tokyo that the visit will improve bilateral relations and promote a general easing of tensions in the Asia-Pacific region. "If any person can bring about any dynamic change in the relationship it can be Mr Gorbachev, who started perestroika," Mr Taizo Watanabe, Japan's foreign affairs spokesman, said on Friday.

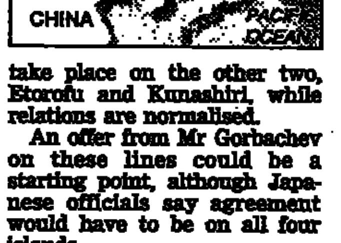
Mr Gorbachev's visit which starts tomorrow is the first to Japan by a Soviet leader. If he can resolve the territorial issue, a vast area of co-operation could open up between the two countries.

Talk in the Soviet Union is that Japan might pay between \$20bn and \$30bn for the islands. It is not just economic benefits that interest the Soviet side; the issue has become bound up in the conflict between the two giants of the Soviet political scene, Mr Gorbachev and Mr Boris Yeltsin, the Russian leader. Mr Yeltsin has said the islands shall not pass from Russian hands: at the other side of the political scene, the Soviet military say they are of great strategic importance.

Dr Georgy Kunadze, the country's leading expert on the issue and head of the Far East division at the foreign policy think tank IMEMO, cautions against expecting too much.

"He cannot simply go there and 'sell' the Kurils. The Japanese cannot expect it. We have been too proud for too long to suddenly change."

But Dr Kunadze believes the issue can be resolved on the basis of three main elements. First, he believes Mr Gorbachev could revive an offer the Soviet Union made to Japan in 1956. This envisages the return of the islands nearest to the Japanese mainland – the Habomai Group and Shikotan. Further negotiations would



take place on the other two, Etorofu and Kunashiri, while relations are normalised.

An offer from Mr Gorbachev on these lines could be a starting point, although Japanese officials say agreement would have to be on all four islands.

Second, Dr Kunadze believes the Soviet Union should be compensated for the infrastructure built on the islands since the war. A reasonable price, he thinks, might be \$10bn (£5.6bn).

Third, credits and loans should also be discussed. However, these should be relatively modest since the capacity for the unreformed Soviet economy to productively use foreign credits is low. A sum of \$3bn-\$4bn would be enough, he thinks, with perhaps a further \$10bn in loans. Though he is scornful of the rumoured figures, his sums do end up in the £20bn-\$30bn range which Japanese politicians are reported to have suggested.

Soviet and Japanese officials have drafted over 12 separate agreements for Mr Gorbachev and Mr Toshiki Kaifu, the Japanese prime minister, to sign.

They include Japanese offers to send technological experts to Moscow and to accept Soviet trainees in Japan, plus other forms of aid to Soviet industry.

But, without progress on the territorial issue, Tokyo is unlikely to drop its previous refusal to extend government-backed loans and grants.

Delhi gives pledge on debt repayments

By David Housego in New Delhi

MR Yaswant Sinha, the Indian finance minister, yesterday assured the country's international creditors that India would not default on its debt repayments during the next critical three-and-a-half months before a new government can present a budget.

At a press conference in New Delhi, Mr Sinha said: "Whatever it takes will be done to see that India meets its commitments. We shall not allow any default." He also ruled out a debt rescheduling.

Mr Sinha was speaking after returning from Tokyo where he secured \$150m (£84.7m) in immediate foreign exchange assistance from Japan as part of an Asian Development Bank co-financing of petroleum imports.

He also said that Japan had promised to speed up other other aid – worth about \$350m. But he said that this would be finalised in discussions with Japan and other donor nations in Washington at the end of the month during the spring meetings of the World Bank and the IMF.

The finance minister said that he expected other donor nations to come to India's support, but declined to be specific. "We are not quite bereft of friends," he said.

Mr Sinha made his announcement as the general election campaign got underway with Mr V.P. Singh's National Front being the first major party yesterday to present its manifesto. The Front, which is contesting the election in alliance with the left, confirmed that the central plank in its platform would be implementing Mr Singh's promise of 55-59 per cent central government job reservation for the poor and the lower castes.

Romanian tennis coach opens bank

Mr Ion Tiriac, the former international tennis coach, will today open Romania's first private bank in Bucharest after raising Lei 3bn (\$50m) in equity, Ariane Genillard reports from Bucharest.

Mr Tiriac, who represents *Mercedes, Siemens and United Distilleries in Romania, will* own 25 per cent of the bank's capital.

A monetarist disciple at the helm of Treuhand

By Leslie Colitt in Berlin

MRS Birgit Breuel, a disciple of economic liberalism, this weekend took on one of the most daunting economic assignments Germany has to offer.

The 53-year-old Christian Democratic (CDU) economics official was chosen to succeed the late Detlev Karsten Rohwedder, assassinated by terrorists earlier this month, as president of the Treuhand agency for the privatisation of east German companies. Mrs Breuel had served since last October as the Treuhand board member responsible for its regional offices.

Faced with an imminent collapse of industrial production and mass unemployment in the East, Treuhand recently announced a big shift in its priorities.

Henceforth, company reorganisation is to take precedence over privatisation at all cost. Mrs Breuel, however, sought to reconcile the two when she noted that privatisation was the "best form of reorganisation". Investments and the securing of jobs would be "at least as valuable" as proceeds from the sale of companies to the private sector, she said in east Berlin.

Mrs Breuel was chosen in a unanimous vote by Treuhand's administrative board after receiving the approval of Chancellor Helmut Kohl and Mr Theo Waigel, the economics minister, who oversees the agency.

A newly-created post of Treuhand vice-president is to be filled by a prominent west German company executive and is designed to compensate for the new president's lack of managerial experience.

A Treuhand official, acknowledging Mrs Breuel's competence, nonetheless criticised her for being the "Margaret Thatcher" of the agency. It was politically inopportune to have someone with her economic views in the top post at such a critical time he suggested.

As if to belie this reputation, Mrs Breuel spoke compassionately to the media of her "great sympathy for the worries of people".

Her late father, Alvin Münchmeyer, a prominent Hamburg banker, instilled economic discipline in his children by demanding a strict accounting of how they spent pocket money, she has recalled.

She studied political science in Hamburg, Oxford and Geneva and worked for a time in economic research posts in New York and Hamburg.

Her reputation as a disciple of monetarist economist Mr Milton Friedman stemmed from extensive praise of him in her book, *Unsaddling The Bureaucratic Nag*. Mrs Breuel was a CDU member of the Hamburg legislature from 1970 to 1978 and served as economics minister of the state of Lower Saxony and its finance minister until she joined Treuhand last year.

Breuel: held several economic posts in the state of Lower Saxony

Trading places in Polish party HQ

ABOUT 100,000 shareholders in Poland will tomorrow learn what their stocks are really worth when Poland's first post-war stock market opens in the old headquarters of the Communist Party, AP reports from Warsaw.

The stock exchange, second in eastern Europe after the Budapest market which opened last year, will begin trading shares of the first five recently privatised enterprises.

Sessions will be held once a week up until June, when trade is expected to pick up steam and require more frequent meetings.

Mr Leslaw Paga, head of the department supervising the securities market in the Ministry for Ownership Transformation, which wants to privatize 3,500 state-owned industries over the next three years, is optimistic about the exchange's future.

He hopes that the big white building in central Warsaw, which housed the Central Committee of the Polish United Workers' party until it dissolved in January 1990, will eventually become a "mini-City," accommodating numerous banks, financial institutions and the stock market on its top floor.

Mr Janusz Lewandowski, privatisation minister, called the stock market's location "historical revenge" on the Communists.

"I place great hopes on this project because it should facilitate public offerings, assessment and privatisation of enterprises," said Mr Lewandowski on Friday after signing the founding charter of the Warsaw Stock Exchange.

The market, created in co-operation with Societe des Bourses Francaise, an association of French stock markets, will employ the so-called "order-driven system," where transactions are based on price offers from customers willing to buy or sell.

Although six stock markets operated in Poland until World War II began in 1939, Mr Paga said the architects of the new market did not look back and chose modern solutions – with a central deposit of shares and fully computerised trading – resembling the bourse in Lyon, France.

Anyone who expects Warsaw's exchange to compare with the giant markets of the West would be disappointed, Mr Paga said. "People think that you can have a big market like New York or London from the very beginning, and there are many countries which have only small markets, developing slowly and gradually," he said.

Hungary's exchange opened in June 1990 but volume of trade has been low during its first 10 months due to scare domestic capital, fear of risk and a general distrust in shareholding in the country.

Mr Wlodzimierz Magiera, the deputy head of the ministry's department for development of the stock market, said Poland's market had been planned to open in June, "but we are starting now, under pressure from investors who want to buy or sell shares."

When the first five state-owned factories were turned into stock companies and offered to the public in November, they sold almost immediately, with over-subscription.

Brazil's metal workers to strike

Metal [illegible] industrial area begin an indefinite strike over pay today – their first sector-wide action since President Collor took office a year ago, Christina Lamb writes from Rio de Janeiro.

The "strategic strike" by metal workers of São Paulo state is intended to paralyse production. Of Brazil's main car manufacturers only Fiat, which is based in the state of Minas Gerais, will be left operating.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Banks 'will lose money if Sofia is pressed on debt'

WESTERN banks would lose money lent to Bulgaria if they precipitated a crisis by pressing for early payment of its debt, a senior Bulgarian official said yesterday, Reuter reports from Sofia.

"By seeking immediate resumption of Bulgarian foreign debt payments, foreign banks will cause the failure of reform. . . Then it will be really impossible for them to get back their billions," the official added.

Bulgaria suspended principal payments on its debt, now some \$11bn (£6.4bn), a year ago, and stopped interest payments in June. Western banks accepted Bulgaria was in little position to service the debt, and granted Sofia a 90-day freeze on payments, since rolled over several times.

The most recent roll-over runs to June 30 and banks are keen to reach a longer-term pact. In London last week, they rejected Bulgaria's request for debt reduction rather than long-term deferral of payments.

A Polish-style debt reduction is not possible for Bulgaria, because most of Sofia's debt is to banks.

Thieves dump 20 Van Goghs

By Ronald van de Krol in Amsterdam

TWO armed thieves stole 20 paintings by Vincent Van Gogh from Amsterdam's Van Gogh Museum yesterday but abandoned their haul – worth more than \$200m (£112.9m) – less than an hour later near a city railway station.

Police said they had no idea why the two masked thieves had decided to abandon the paintings and their getaway car after managing to pull off the biggest art theft in the Netherlands since the Second World War.

The 20 paintings, which were worth at least \$10m each, included such works as *The Potato Eaters*, *Self-portrait As Painter*, and *Still Life With Sunflowers*. The museum houses the world's single biggest collection of paintings by Van Gogh, whose work soared in value on the art market in the 1980s.

Police said they had no trace of the masked thieves, who were described only as two men who spoke English with American accents.

One of the thieves may have hidden in the museum just before closing time on Saturday afternoon, according to police. Around 3am, he overpowered two security guards and forced them to turn off the alarms. He then let the second man into the building.

About 45 minutes later, the thieves fled after forcing one of the guards to hand over the keys to his car, a Volkswagen Passat. Shortly thereafter, the car and the paintings were found near the Amstel train station just outside the city centre.

Three of the 20 paintings were seriously damaged but they will be restored, Mr Ronald de Leeuw, the director of the museum, said. A police spokesman said: "The robbery seemed to be well thought out but the ending was amateurish."

The spectacular robbery is the fourth theft of Van Gogh paintings in The Netherlands in the past three years. It also comes just a year after the museum marked the 100th anniversary of Van Gogh's death with a major exhibition of 135 paintings, including many on loan for four months from foreign museums and collectors.

The insurance cover for the borrowed works totalled \$3.2bn.

The paintings which were stolen and then recovered yesterday were uninsured, in line with Dutch government policy of not insuring works of art in order to free up funds for other spending on the arts.

UK Tories win Euro embrace from centre-right

By David Buchan in Brussels

CHRISTIAN democrat leaders have agreed to a cautious political convergence with British Conservative members of the European parliament that could make the UK Tories full members of Europe's dominant centre-right group by 1994.

In Brussels on Saturday party chiefs of the Christian Democrat European People's Party (EPP) welcomed the request by Tory MEPs to join the EPP in Strasbourg as "allied members".

They agreed to set up "a consultation committee" with the Tory MEPs to thrash out agreement on such thorny issues as monetary union and EC social policy, with a view to the European Democratic Group (composed of 32 British and two Danish conservatives) joining the EPP in one year in a "federation of groups" in Strasbourg. EPP leaders said they hoped that this would lead the British conservatives – at a national, not just European parliament, level – "even closer" to them by the Euro-elections in 1994.

This tentative response to the Tory MEPs, who have been banging on the EPP's door since losing heavily to Labour in the 1989 Euro-election, was a compromise. Germany's Chancellor Helmut Kohl, whose friendship with Prime Minister John Major has led him to champion UK admission, expressed satisfaction.

Martens: tribute to Major

Spanish, Portuguese, Greek and Luxembourg leaders also backed early Tory integration. But this was strongly opposed by the Dutch and Belgians, with the Italians hesitant. The reason for the antipathy of Low Countries' Christian Democrats to the Tories is not only that they are frequently in ruling coalition with socialists, as at present: they also have large affiliated trade unions, which dislike Tory opposition to the EC Social Charter.

Prime Minister Wilfried Martens, the Belgian prime minister who is the EPP president, none the less paid tribute to Mr Major for his "very open attitude" to negotiations on political and monetary union.

Greece to scrap curbs on long-term capital outflow

GREECE is to lift curbs on long-term capital outflow next month, allowing Greeks to invest in property and securities abroad, Kerin Hope reports from Athens. Mr Dimitris Chalikias, Bank of Greece governor, said the new rules take effect in May.

Greece was granted two extensions for complying with an EC directive on freeing outward capital movement on the grounds of its worsening current account deficit, totalling over 5 per cent of GDP last year. But under an EC emergency loan, no further delays can be allowed. Mr Chalikias dismissed fears that the current account deficit will be fuelled by huge capital flight.

Capital transfers abroad could be handled by commercial banks without central bank approval. Curbs on foreign exchange allowances will be eased; the $300-a-year ceiling on credit card purchases made abroad will be scrapped.

Britain expected to bridle at EC foreign policy plan

By David Buchan in Brussels

BRITAIN is expected to bridle at plans laid before EC foreign ministers today by the Luxembourg presidency for implementing common foreign policy decisions by majority vote, and for the European Parliament to have a say in Euro-law making equal to that enjoyed by governments.

These two key plans have been released for foreign ministers to discuss at today's session of the inter-governmental conference (IGC), ahead of the 95-page compromise text on political union that Luxembourg is tabling tomorrow.

The two IGCs on political and monetary union have been in session for three months, and Luxembourg is seeking overall agreement by late June.

Luxembourg officials claimed yesterday their text on common foreign and security policy (CFSP) had been well received by EC partners, and even British diplomats admit that since the Luxembourg draft is drawing equal fire from proponents and opponents of fast moves to a CFSP, the presidency has probably judged it right.

Britain has always objected to the possibility of being outvoted in so sensitive an area as foreign and security policy. But the Luxembourg plan only foresees that "the means of applying a common action would be adopted by majority vote", preserving unanimity as the rule by which the Twelve would carry out a CFSP.

Britain has always objected to being outvoted in foreign and security policy, but the Luxembourg plan only foresees that the way of applying a common action would be by majority vote

Initial areas of "common action" would include arms co-operation and control, UN peace-keeping operations, and possibly, relations with the US and Eastern Europe. EC leaders could by unanimity at their regular summits decide on more such areas of common action, in which governments would be constrained, politically but not legally, from acting freelance.

A particular article of the Luxembourg draft would require Britain and France, the EC's only two members in the UN Security Council, to put their voting there in line with EC partners' wishes.

To the relief of Britain, neutral Ireland and pacifist Denmark, the Luxembourg draft skates over EC relations with the Western European Union defence organisation in one sentence, saying the decision with defence implications "can be entirely or partially implemented in the framework of the WEU to the degree they also come within the competence of this body".

But to placate those mainly Latin countries which want to bring defence within the EC faster, the draft says the WEU arrangement "could be reviewed, on the basis of a report to be submitted by 1996 at the latest" to an EC summit.

The Luxembourg compromise on the parliament is to deny it a right of initiative, but give it "co-decision" with the EC Council of Ministers on a new category of "framework laws". Now, the parliament can only amend, but not totally reject, EC legislation.

Under the Luxembourg draft, on certain basic legislation of political rather than technical import, the parliament would have equal law-making rights with the Council.

If the two could not agree, a committee would try to conciliate. But the parliament could, in the end, kill EC laws.

Inquiry signals change in Commission's steel policy

The sector is now subject to normal competition rules, **Charles Leadbeater** and **Andrew Hill** report

THE Z Club sounds like a seedy, backstreet night club. The Z Club was indeed slightly disreputable. But it was also highly exclusive. It was the most elaborate attempt yet by Europe's steel producers to rig the market for their products.

For most of the 1980s, the club brought together the main European stainless steel producers for detailed discussions on how to restrain competition. In the next few months, European Commission competition officials will discover whether a successor to the Z Club has been rigging the market for heavy beams and sections used in the construction industry.

The EC last week confirmed its officials in January raided the offices of four steel manufacturers – British Steel, Usinor Sacilor of France, Arbed of Luxembourg, and Peine Salzgitter, the German group – to gather information on the suspected cartel. Two trade associations in Germany and France were also raided.

The investigation seems to signal a change of Brussel's policy towards steel. For more than a decade, the EC coaxed the industry through the crisis of excess capacity which hit it in the mid-1970s.

The manifest crisis measures under the 1952 Treaty of Paris, which imposed import limits and production quotas, were phased out in June 1988.

During the crisis, the EC officially sanctioned collusion between the main producers, institutionalised by Eurofer, the European steel producers' association set up 1976. It helped police the system to limit competition and stabilise market shares.

The investigation into construction steel seems to mark an important shift in the wake of the end of the quota regime. A competition policy official said last week:"It is as though we have moved out of the old ghetto of steel policy.

"We now have a philosophy here that the steel industry is a sector like any other." The companies could face fines up to a maximum of 10 per cent of turnover if they are found guilty.

This EC signalled this shift last July when its inquiry into the Z Club warned it would in future take "severe action" against cartels.

The club brought together the presidents, commercial directors and export managers of six European producers, including British Steel, Krupp and Thyssen. Its anatomy was exposed in the formal record of the EC's decision, which was hidden away in the EC's official journal for July 1990.

British Steel, which presents itself as the paragon of free market virtue, proposed co-operation on prices at a meeting in Düsseldorf on February 27 1984. After a string of meetings, several producers agreed bilateral "inter-penetration" deals to limit exports and imports.

By the time the club met in Paris on April 15 1986, a formal agreement was in sight which was signed at a meeting a month later in Düsseldorf. The agreement specified delivery quotas, a complex voting procedure for club members, a system of fines for companies breaking the quotas, the make-up of a secretariat, a pricing committee, and a market forecast committee.

The only external evidence of the lengths to which the producers were going to fix the market came on October 1 1986 when the Z Club members raised their prices on the day the formal agreement came into effect. That was followed by a series of substantial price increases in the next two years.

Yet the club's existence was not a secret. In late May of 1986, Sir Robert Scholey, the British Steel chairman, wrote to EC vice-president Karl-Heinz Narjes, who was responsible for the steel industry, about the agreement to establish the cartel. Five months later, Sir Robert wrote again, claiming to have forwarded a copy of the cartel's constitution.

Although Vice-President Narjes replied that he could not sanction the cartel, he took no action to break it up. The six producers were together

THE EUROPEAN MARKET

fined only Ecu425,000 £293,000) on the grounds that they thought competition rules were modified throughout the sector by the manifest crisis measures. The EC was an accessory to a crime it was itself investigating.

The investigation into construction steels was prompted by an inquiry in Norway last year which discovered restrictions on imports designed to maintain domestic steel prices.

It seems unlikely this investigation will uncover anything quite so elaborate as the Z Club.

The companies have learned to become more circumspect. They talk of "orderly marketing arrangements", not price fixing. According to industry specialists, senior executives rarely take part in such meetings, leaving them to commercial directors whose actions can be disowned.

There may have been tacit agreements to limit imports to stabilise market shares. Dr Derek Tordoff, of the British Constructional Steelwork Association, says :"I understand that some form of tonnage quota agreement may have existed in the past". But it seems unlikely there was direct price fixing.

There have been persistent complaints from steel consumers in the UK that prices for heavy sections and beams are far stickier than for other products such as hot rolled coil.

With the downturn in construction markets, the amount of steel processed by fabricators for use in buildings has fallen from 1.4m tonnes in 1989 to a rate of 1m tonnes this year.

With supply well in excess of demand, prices should have fallen. Yet the fabricators who buy directly from British Steel say the companies pricing policy has not changed.

Although prices on the Continent are sometimes 20-30 per cent lower than in the UK, customers say they find it difficult to get foreign groups to bid for contracts. When they do, the prices are within a whisker of British Steel's. One fabricator with a plant in the UK and on the Continent says :"It is cheaper for me to buy British Steel steel abroad and then ship it back to the UK".

British Steel, which is not commenting on the investigation, could retort that prices quoted by stockholders, the middle men in the industry, have fallen dramatically even if its prices have not. British construction groups use old-fashioned Imperial measures for steel which are difficult for Continental producers to supply.

Two forces may be pushing the industry away from cartels and collusion between a large number of national producers, towards competition between more concentrated more international groupings.

Firstly, industrial restructuring is promoting growing concentration and seemingly, more competition. The 8m-tonne-a-year market is now dominated by a joint venture between Usinor Sacilor and Arbed and British Steel. Usinor Sacilor is buying its way into the UK market through acquisition, while British Steel is doing the same on the Continent.

Secondly, the Treaty of Paris may be reverting to its original role. It was originally based on *laissez-faire* principles to eliminate tariff barriers, subsidies and cartels.

Sir Leon is attempting to restore the treaty's historic purpose. If they are found guilty, the producers will be dealt with far less leniently than the members of the Z Club.

Uganda pins its hope on an economic revival to help it fight Aids

Joel Kibazo examines the twin problems of a country burdened by a deadly epidemic and an economy struggling with debt and inflation

DAVID, a thin young man with an emaciated frame, drawn face and bulging eyes, walked falteringly towards the car waiting to drive him to a funeral. David, 23, a former guerrilla who helped bring the present government to power, is a victim of Aids, or "Slim" as it is known in Uganda. Thousands have already died from the disease.

In David's home town of Masaka, south-west of the capital Kampala, and in nearby villages, more than half the young adults are HIV positive, infected with the virus that causes Aids.

Nationally, the Uganda Aids Control Programme estimates that more than 1m people are HIV positive out of a population of about 17m.

The government forecasts that by 2010 more than half the projected population of some 37m will have died of Aids.

Museveni: hoping for a cure

The epidemic is now threatening to undermine the measure of political and economic stability achieved since President Yoweri Museveni came to power five years ago.

Mr Museveni assumed the presidency in January 1986 after waging a five-year guerrilla campaign which brought down the military government which had itself overthrown the five-year rule of Milton Obote six months previously.

His administration has since been marked by a broad-based appeal for reconciliation and political stability. But in the past three years, the main aim has been to rehabilitate the economy. The hope is that an economic cure may alleviate some of the social problems of poverty and malnutrition which make parts of Uganda susceptible to diseases such as Aids.

To that end the government has:

- Published an investment code aimed at attracting foreign investment;
- Reduced inflation from 240 per cent in 1988 to 29 per cent in 1990;
- Rebuilt a large part of the once-crumbling trunk road network and infrastructure;
- Improved the provision of essentials, such as sugar and soap;
- Enhanced medical services;
- Reduced the currency black market by devaluing the Ugandan shilling and authorised the establishment of bureaux de change.

The World Bank will this year lend around $200m for reconstruction projects, having loaned similar amounts in each of the past three years as part of a structural adjustment programme.

The price of that programme has been tough: it has included frequent devaluations, increased producer prices to the peasant growers of Uganda's main export, coffee; the abolition of inefficient state-owned marketing monopolies (except in cotton); and a concerted effort to cut the budget deficit.

Having finally published an investment code last November after months of debate, plans are now afoot to sell off loss-making state-owned companies, particularly those in better shape, to foreign investors.

Cutting inflation has been one of the government's big successes. The end-of-year target for 1991 is 15 per cent. With an impressive 6-7 per cent increase in gross domestic product in each of the past three years, the World Bank has pronounced the country's economic prospects as "good to excellent".

The economy has suffered, however, from poor world prices for coffee – the country's main crop and leading foreign exchange earner. Since the 1989 collapse of the International Coffee Agreement, which aimed to support prices through an export quota system, earnings from coffee exports have fallen to about $220m last year, from around $285m in 1989.

According to the World Bank, Uganda suffered both a 30 per cent shortfall in foreign exchange earnings last year as a direct result of the ICA collapse, and the loss of local revenue levied as export tax on coffee exports. This further weakened the balance of payments, already under pressure because of the Gulf war-induced higher oil prices.

Lower foreign exchange earnings have also caused difficulties in servicing the country's $1.5bn debt.

The reforms have nevertheless begun to attract foreign business interests. Mr John Dorrell, of the London Chamber of Commerce and Industry, who led a delegation of British businessmen to Uganda last November said: "When we came here in 1987 the country was on its knees; now it is showing signs of life. It is a market worth £39.2m ($69m) to British exporters, up by 18 per cent on 1989." Britain is one of Uganda's main trading partners.

Foreign investor interest has also come from a number of Ugandan Asians, who formed the backbone of the business community before their mass expulsion by Idi Amin in 1972. Two once-powerful Ugandan Asian industrial groups, run by the Madhvani and Mehta families, have already returned to Uganda and between them now produce some 60,000 tonnes of sugar – enough to meet local needs.

Ugandan-born Mr Nazimu Virani, chairman of UK property-to-pubs group Control Securities, whose family were among the 60,000-strong Asian community expelled by Amin, is leading a high-powered delegation of British businessmen and industrialists to Uganda with the aim of identifying potential areas of investment.

But Asians' confidence is unlikely to be wholly restored so long as the government fails to offer compensation for an estimated £2bn of property expropriated by Idi Amin following his purge of Asians.

Yet potential foreign investors will need to be convinced that other problems which threaten stability are being overcome. The army has been accused by Amnesty International, the human rights body, of killing civilians, and corruption remains widespread.

For one former soldier, however, the future is bleak. David, the aids sufferer, stared into the ground and said: "We fought in the war to stop us being killed by the army. Now we are all dying of Aids anyway."

Shamir plans Palestinian autonomy

By Hugh Carnegy in Jerusalem

MR YITZHAK Shamir, the Israeli prime minister, who has come under pressure from the US to help launch Middle East peace negotiations, was reported yesterday to have formulated proposals for Palestinian autonomy in the occupied territories.

The proposals include a structure of Palestinian ministries similar to Israeli government ministries.

The Israeli newspaper Al-Hamishmar reported that Mr Shamir said in an interview to be published in full later this week that the proposals offered the Palestinians more than the autonomy envisaged in the 1987 Camp David accords between Israel and Egypt.

It held out the possibility of political parties and a Palestinian police force, along with control over a range of affairs from trade to education.

Palestinians, who have repeatedly rejected any formula which does not ultimately offer them full independence in the West Bank and Gaza Strip, are unlikely to see much new in the proposals. In keeping with his long-standing position, Mr Shamir said he was not offering sovereignty. Foreign affairs, defence and what he described as security would remain under Israeli control.

But Mr Shamir, who will meet Mr John Major, the British prime minister, and other European leaders in London this week, when he visits for the inauguration of the European Bank for Reconstruction and Development, hopes to persuade the US and its allies to accept his plan for limited autonomy, postponing discussion of a final settlement in the territories for at least three years.

Bush spells out vision of 'new world order'

By Nancy Dunne in Washington

PRESIDENT George Bush at the weekend defended his administration against criticism of failing to support Kurdish rebels and sought to refocus public attention on his vision of a world united against aggression and injustice.

In the first of four speeches to define the "new world order" at Maxwell Air Force base War College, he promised to provide "food, shelter and safety" to Iraqi refugees and condemned Iraq's President Saddam Hussein for a "savagery" which would make Iraq "a pariah nation".

Internal conflicts have raged in Iraq for years, he said. "I do not want one single soldier or airman shoved into a civil war in Iraq."

This speech followed days of Democratic criticism during which the administration has appeared inept and confused about its post-war policy.

The New Republic magazine, in an editorial entitled Desert Shame, said: "Can it really be that the big global order Americans went to war for is designed to protect only the kingdoms of emirs, regardless of the consequences to millions of people?"

Meanwhile the television reports which once generated enthusiaam for the war have been focusing on the ordeal of the refugees. The president's stunning popularity, although still high, has begun to ebb.

Mr Bush cast the war as the "first real test" of the new world order. Its four tenets would be: peaceful settlement of disputes, solidarity against aggression, reduced and controlled arsenals and just treatment of all people.

He noted that the Warsaw Pact had disbanded earlier this month but that Americans would remain in Europe in support of Nato.

He said reforms must continue in the Soviet Union if it is to share in "the new opportunities."

Kuwaiti firefighters in row

By Mark Nicholson in Kuwait City

TEAMS fighting Kuwait's oil fires yesterday dismissed as impractical a government claim that the task could be accomplished in seven months, amid signs of growing tension between the firefighters and the Kuwait authorities.

Mr Rasheed al Almeeri, the Kuwait oil minister, said at the weekend the government had decided to invite companies from across the world to help fight the fires under a "new strategy" to cap all the wells in seven months.

However, Mr Mike Miller, president of Safety Boss, the Canadian blow-out company, said yesterday the task would take two to three years, however many companies became involved. "Some of the bigger wells will take several weeks each to douse, if not a few months," he said.

The government announcement followed offers from European and other oil and construction companies to sell Kuwait their equipment and technical aid to help solve the problem. Representatives from Agip, Petrofina and Elf Acquitaine are in Kuwait this week to meet ministers.

Mr al Almeeri said the government was negotiating with companies from Britain, China, France, Germany and Iran and was "on its way to signing letters of intent" for the first new contracts.

Mr al Almeeri's decision to bring in more contractors was made without consulting the four US and Canadian companies so far taken on. "It will be a surprise to them," he said. "Perhaps it will make them work faster."

However, leaders of the four companies bridle at the suggestion that the slow progress – only three fires have been put out so far – is their fault. "We still haven't been able to get the equipment into the country," said Mr Brian Krause of Red Adair Co. "I'd guess we have about 20 per cent of what we need to do the job."

The companies say the larger fires cannot be tackled until the arrival of several more 85,000 pound earthmovers – now being flown into Kuwait airport – and until water can be either piped or trucked to wellheads in quantities of up to 1m gallons a day.

A Kurdish boy struggles with supplies pillaged from a Turkish depot. US officials said relief efforts were being stepped up, with helicopters and US troops being moved to the border

Hong Kong to ponder airport plan

By John Elliott in Hong Kong

HONG KONG'S government is to consider whether to try again for an agreement with China on the colony's proposed HK$100bn airport project. This follows the failure at the weekend of 10 days of talks in Peking started when Mr Douglas Hurd, British foreign minister, visited the Chinese capital.

Sir David Wilson, the governor, held emergency meetings yesterday with two senior UK diplomats involved in the Peking talks. He will now consult the colony's executive council.

No agreement was reached because China is insisting on having effective control or veto powers over detailed issues on the airport, which would set precedents for it to interfere in other subjects.

More Japanese companies fail

By Stefan Wagstyl in Tokyo

JAPANESE companies which went bankrupt in the year to March left debts of Y3,500bn, (£14.4bn) the third highest annual total on record, according to a report by the Teikoku Data Bank, a research agency.

Teikoku Data Bank said 7,157 companies failed in the year to March, up 7.6 per cent. Liabilities were three times higher than in 1989-90.

High interest rates, falling prices in the stock and land markets and labour shortages contributed to the failures.

Bankers fear that this year's total could be much higher, as banks withdraw support from increasing numbers of over-borrowed companies.

BALANCE OF PAYMENTS

Trade figures are given in billions of European Currency Units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	ECU exchange rate	Effective exchange rate
1984	275.8	-136.8	-125.5	0.7891	96.9
1985	279.8	-174.2	-160.5	0.7623	100.0
1986	230.9	-140.6	-147.8	0.9836	80.2
1987	220.2	-131.8	-140.6	1.1541	70.3
1988	272.5	-100.2	-108.9	1.1833	66.0
1989	330.2	-99.3	-99.9	1.1017	69.4
1990	309.5	-78.8	-77.9	1.2745	65.1
1st qtr.1990	79.8	-21.3	-18.5	1.2053	67.6
2nd qtr.1990	81.0	-16.7	-18.6	1.2223	67.8
3rd qtr.1990	74.4	-21.7	-20.4	1.2990	64.1
4th qtr.1990	74.7	-19.1	-20.2	1.3714	60.8
March 1990	27.8	-7.0	n.a.	1.1971	68.5
April	26.4	-6.0	n.a.	1.2123	68.5
May	26.6	-6.3	n.a.	1.2320	67.4
June	28.0	-4.4	n.a.	1.2227	67.5
July	25.4	-7.2	n.a.	1.2625	65.6
August	24.7	-7.4	n.a.	1.3192	63.7
September	24.3	-7.1	n.a.	1.3153	63.0
October	25.8	-8.1	n.a.	1.3566	60.9
November	24.7	-6.4	n.a.	1.3861	60.2
December	24.3	-4.6	n.a.	1.3716	61.2
January 1991	25.3	-5.1	n.a.	1.3825	61.2
February			n.a.	1.3897	60.2

JAPAN

	Exports	Visible trade balance	Current account balance	ECU exchange rate	Effective exchange rate
1984	213.8	56.7	44.1	187.03	97.9
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.8	165.11	124.4
1987	197.3	86.1	75.2	166.58	133.2
1988	219.8	80.7	66.5	151.51	147.3
1989	245.5	70.5	52.3	151.87	141.9
1990	219.7	50.6	28.4	183.94	126.0
1st qtr.1990	56.8	14.5	12.7	178.26	126.6
2nd qtr.1990	53.2	11.1	6.5	189.78	119.6
3rd qtr.1990	54.2	12.8	5.4	188.35	123.7
4th qtr.1990	55.4	12.3	4.3	179.38	133.8
March 1990	19.8	5.4	5.9	183.38	122.6
April	17.1	3.2	1.9	191.91	117.9
May	17.4	2.7	1.7	189.44	120.3
June	18.6	5.2	2.9	188.00	120.7
July	18.0	3.9	1.3	188.16	122.2
August	17.8	4.8	2.2	194.52	120.8
September	18.5	4.3	1.8	182.38	128.5
October	18.6	4.3	1.8	175.95	135.6
November	18.5	3.9	1.5	178.84	134.8
December	18.3	4.0	0.9	183.34	130.9
January 1991	18.8	5.2	2.8	182.11	131.1
February	18.4	5.2	4.2	182.23	133.2

GERMANY

	Exports	Visible trade balance	Current account balance	ECU exchange rate	Effective exchange rate
1984	218.3	24.2	12.5	2.2387	100.0
1985	242.8	33.3	21.7	2.2259	100.0
1986	248.6	53.5	40.3	2.1279	108.8
1987	254.2	56.7	39.6	2.0712	115.3
1988	272.6	61.7	42.6	2.0739	114.6
1989	310.2	65.3	50.3	2.0681	113.5
1990	324.2	51.5	35.0	2.0537	119.1
1st qtr.1990	81.8	17.6	14.1	2.0372	118.9
2nd qtr.1990	77.8	14.2	8.8	2.0507	118.7
3rd qtr.1990	82.1	12.5	6.7	2.0682	118.6
4th qtr.1990	82.5	7.2	5.5	2.0589	120.0
March 1990	27.1	5.7	5.1	2.0402	118.9
April	26.6	4.9	2.8	2.0445	119.2
May	26.0	5.3	4.2	2.0483	118.9
June	25.2	4.0	1.8	2.0592	118.0
July	27.1	4.6	2.3	2.0679	118.0
August	27.6	4.1	1.8	2.0713	119.0
September	27.4	3.8	2.6	2.0853	118.7
October	28.1	4.5	3.2	2.0679	119.0
November	27.8	1.5	0.7	2.0583	120.2
December	26.5	1.3	1.6	2.0506	120.8
January 1991	28.4	0.7	-1.0	2.0560	120.2
February			-0.8	2.0567	120.7

FRANCE

	Exports	Visible trade balance	Current account balance	ECU exchange rate	Effective exchange rate
1984	123.7	-3.6	-1.1	6.6715	98.1
1985	133.4	-4.5	-0.2	6.7941	100.0
1986	127.1	-0.1	3.0	6.7946	102.8
1987	128.3	-4.5	-3.6	6.9267	103.0
1988	141.8	-4.6	-3.4	7.0354	100.8
1989	162.9	-6.4	-3.6	7.0169	99.6
1990	169.9	-7.4	-4.8	6.9202	104.8
1st qtr.1990	44.0	-0.3	0.7	6.9099	103.9
2nd qtr.1990	42.1	-1.5	-1.8	6.8968	104.7
3rd qtr.1990	41.6	-3.0	-2.3	6.9343	104.9
4th qtr.1990	42.2	-2.5	-1.5	6.9400	105.6
March 1990	-14.6	-0.16	0.24	6.8967	104.4
April	13.7	-0.65	-0.65	6.8674	105.2
May	14.1	-0.78	-1.10	6.8962	104.7
June	14.3	-0.10	-0.01	6.9268	104.1
July	13.9	-0.72	-0.63	6.9360	104.4
August	14.1	-0.75	-0.45	6.9498	105.1
September	13.6	-1.54	-1.23	6.9172	105.3
October	14.8	-0.96	-0.29	6.9255	105.5
November	14.5	-0.08	0.28	6.9299	105.8
December	12.9	-1.45	-1.13	6.9645	105.3
January 1991	14.5	-0.82	-0.24	6.9846	104.7
February	13.9	-0.52		7.0006	104.8

ITALY

	Exports	Visible trade balance	Current account balance	ECU exchange rate	Effective exchange rate
1984	93.4	-13.9	-5.2	1381.5	105.9
1985	103.7	-16.0	-5.4	1443.0	100.0
1986	99.4	-2.5	-1.4	1461.6	101.4
1987	100.7	-7.5	-2.1	1494.3	101.2
1988	108.3	-8.9	-8.0	1536.8	97.8
1989	127.8	-11.2	-17.0	1509.2	98.6
1990	133.7	-9.3	-24.7	1523.2	100.6
1st qtr.1990	31.2	-6.0	-7.1	1511.4	100.5
2nd qtr.1990	35.4	-1.4	-5.1	1506.1	101.4
3rd qtr.1990	31.2	0.2	-3.6	1527.7	100.7
4th qtr.1990	35.8	-2.0	-8.8	1547.5	99.8
March 1990	11.0	-2.2	-2.9	1504.6	101.1
April	11.1	-0.6	-2.4	1501.5	101.8
May	11.5	-1.7	-1.4	1504.9	101.6
June	12.8	0.8	-1.4	1511.9	101.0
July	13.0	1.3	-1.3	1514.7	101.2
August	7.5	0.2	0.3	1526.2	101.2
September	10.7	-1.2	-2.6	1542.3	99.7
October	12.4	-1.0	-4.0	1549.3	99.4
November	10.9	-2.4	-2.1	1547.4	99.9
December	12.5	1.3	-2.7	1545.6	100.1
January 1991	9.9	-3.2		1545.7	100.0
February	11.3	-0.6		1543.2	100.5

UNITED KINGDOM

Exports	Visible trade balance	Current Account balance	ECU exchange rate	Effective exchange rate	
118.9	-9.0	3.1	0.5908	100.6	1984
132.4	-5.7	4.7	0.5891	100.0	1985
108.3	-14.1	-0.1	0.6708	91.5	1986
112.7	-15.9	-6.1	0.7047	90.1	1987
121.6	-31.7	-23.1	0.6643	95.5	1988
138.0	-35.7	-29.6	0.6728	92.6	1989
143.7	-25.0	-17.9	0.7150	91.3	1990
34.9	-8.1	-6.6	0.7272	88.1	1st qtr.1990
35.4	-7.2	-6.5	0.7300	88.6	2nd qtr.1990
36.7	-5.4	-3.5	0.6976	94.2	3rd qtr.1990
36.8	-4.2	-1.2	0.7050	94.1	4th qtr.1990
11.4	-3.1	-2.6	0.7369	87.0	1990 March
11.5	-2.8	-2.6	0.7404	87.1	April
12.0	-2.1	-1.8	0.7343	88.0	May
11.9	-2.3	-2.1	0.7153	90.4	June
11.7	-2.6	-1.9	0.6982	93.5	July
12.2	-1.8	-1.2	0.6944	95.3	August
12.7	-1.0	-0.4	0.7001	93.8	September
12.5	-1.6	-0.6	0.6974	94.8	October
12.4	-1.4	-0.4	0.7055	94.2	November
11.9	-1.2	-0.2	0.7123	93.3	December
11.8	-1.8	-1.1	0.7042	94.1	1991 January
11.8	-1.0	-0.3	0.7070	94.3	February

All trade figures are seasonally adjusted except for the Italian series and the German current account. Export and import data are calculated on the FOB (free on board) basis except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). Data for Germany includes the former East Germany from the time of monetary union in July 1990. The effective exchange rates are period averages of Bank of England trade weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Balance of payments of the main industrial countries

FOR makers of international economic policy, one of the worries of the second half of the 1980s was current account "imbalances". If these were, indeed, a problem, a solution is on the way.

As the chart shows, current account deficits and surpluses are dwindling away as a share of the gross national or domestic products of the four main countries that have experienced the largest divergences from balance. But it is too soon to be sure how far this change is structural and how far only cyclical.

This adjustment is also clear from the table, the second in our new series of world economic indicators. It presents balance of payments data, denominated in Ecu, for each of the six largest industrialised countries, though Germany's balance of payments refers only to the west in the period before economic and monetary union.

Annual data are presented for the period 1984 to 1990, and both quarterly and monthly for 1990 and early 1991. The quarterly and monthly data have been adjusted to remove seasonal fluctuations, except where indicated in the notes. This table will appear approximately every month, with the latest available monthly, quarterly and annual data.

The most striking feature of the table is the conversion by means of the Ecu, the European currency unit. The customary numeraire for currency conversion has long been the US dollar, but it is the currency of only one country, however large, and has been notoriously unstable against other major currencies. Changes in dollar amounts over time can be a highly misleading indicator of real developments.

It is desirable to use a more internationally representative unit of account. There are two competitors, the International Monetary Fund's Special Drawing Right and the Ecu. The former is the more global, but it is merely a unit of account, while the Ecu is becoming a genuine currency. In addition, since sterling joined the exchange rate mechanism of the European Monetary System, four of the six countries shown above – Germany, France, Italy and the UK – should have fairly stable exchange rates against the Ecu.

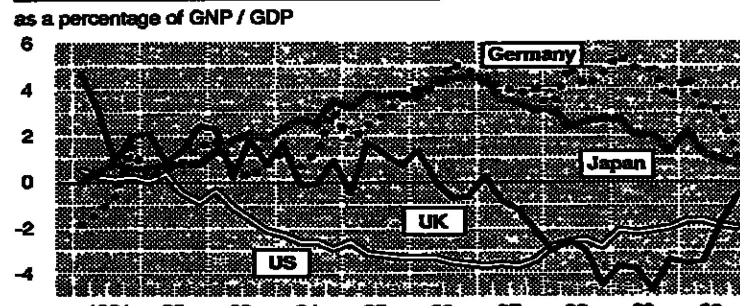
For those unfamiliar with the Ecu, the exchange rate for each country, expressed as units of the national currency per Ecu, is also included in the table. This allows the series to be converted back to national currencies.

The table presents the value of visible exports, the trade balance and the current account for each country. The trade balance is equal to the value of visible exports minus the value of visible imports. Imports can be calculated by subtracting the value of exports from the trade balance.

The current account balance is equal to sum of the visible and invisible trade balances. There are three main categories of invisible imports and exports: services, such as banking; interest, profits and dividends; and transfers, such as payments by the UK government to the EC or in overseas aid.

Current Balances

as a percentage of GNP / GDP



Source: Datastream

Statistics for invisible trade are notoriously difficult to collect. For example the UK estimates the invisible trade balance in compiling its monthly data but records the actual data only every quarter. Monthly current account data should, therefore, be treated with caution. The US does not publish monthly data for invisible trade therefore current account data is only available quarterly.

The effective exchange rate is a weighted average of the value of a currency against a "basket" of other currencies, expressed in index form. The weights are designed to capture the relative importance of each of the other countries as a competitor to the manufacturing sector of that country. These series serve as an indicator of international competitiveness, correcting for some of the volatility of daily exchange rate movements. The sharp fall in the US effective exchange rate after 1985 reflects the depreciation of the US dollar since that date.

Important differences between countries in the way they collect and report trade statistics mean that cross-country comparisons must be made with caution.

With the exception of the UK, the value of exports, imports and thus the trade balance are shown on a customs clearance basis, reflecting the value of goods as they pass through customs. UK data, by contrast, are expressed on a balance of payments basis after a number of adjustments have been made to the customs cleared data. These adjustments deduct freight costs and insurance premiums from the import figures; and exclude certain types of imports, for example UK-owned ships returning to the UK after repair abroad.

Import data from the US, Japan and France are published on a "free on board" (FOB) basis after deducting freight costs and insurance premiums. Imports into Germany and Italy are published on a "carriage, insurance and freight" (CIF) basis. According to the IMF this causes imports to be 2-3 per cent higher for Germany, and some 7 per cent higher for Italy.

A further cross-country discrepancy arises from the unusual way in which the US current account is recorded. The US Commerce department includes capital gains on US owned assets held abroad arising from changes in the value of the dollar as an invisible item in the current account.

Regardless of all these complications, the message is clear: it is one of balance of payments adjustment among these six countries.

Edward Balls and Jill Leyland

Kinnock claims Labour is champion of 'opportunity'

By Ivo Dawnay, Political Correspondent

MR Neil Kinnock yesterday outlined Labour's claim to be the true champion of an "opportunity society", accusing the Tories of having cynically dreamed up the slogan as a general-election winner.

In a wide-ranging BBC Radio 4 interview, the Labour leader said the government had had 12 years to prove its credentials, but had instead squandered £100bn in oil revenues while eroding social services.

Party officials said last night that they had intercepted Tory plans to entitle the Conservative manifesto document Opportunity Society and would undermine them with a prior claim to authorship of the concept.

Today Labour's national executive committee will endorse the party's final pre-election policy document, called Opportunity Britain, from which its election manifesto will be drawn.

The paper puts heavy emphasis on consumers' rights in goods and services in the public and private sectors. It stresses the importance of training to raise employee capabilities and improve Britain's competitive position in international markets.

Tonight Mr Gordon Brown, Labour's trade and industry spokesman, will use a speech in Brighton to launch an attack on the Tory government's record as an "enabling" administration, on the eve of the formal publication of Labour's 27,000-word paper.

Challenged in his interview to demonstrate differences between the two parties' "opportunity" policies, a relaxed Mr Kinnock said the critical factor was: "We mean it and they don't."

He went on to add: "If there is an idea associated with me in particular it is the idea of opportunity, of nourishing people's capabilities, of seeing they are properly cared for by means of the collective resources of the community."

By ensuring people are capable of "growing in stature" they could then make their own contribution to the community. He cited Labour's new programmes for training as an example of policies of fostering opportunities.

The Labour leader also highlighted promises to distribute funds for City Technology Colleges to all schools.

Other new commitments in Labour's document will include a scheme to make employers provide higher-quality training. The document links educational and training issues for people aged 16 to 19 with its promise of broader opportunities, as a key component in boosting UK manufacturing capabilities.

It argues for vocational qualifications to be given equal status to academic ones, another move aimed at stealing a march on the Tory manifesto.

Labour's other main strategy thrust to be developed this week centres on promoting its policy for active intervention to help manufacturing industry. Mr Kinnock was careful yesterday also to emphasise his party's determination to control public spending.

Greens tighten campaign belt

By Ralph Atkins

THE Green party has launched its local-election campaign on a shoestring budget to promote policies for giving people direct control over councils.

Their preparation for the May elections comes amid recognition by members that the party faces a financial crisis. The spring conference in Bridlington yesterday passed an emergency motion giving national officers powers to cut spending in order to reverse a deficit of £7,500. Such an amount is small by other parties' standards but abhorrent to a party without guarantors, with a falling membership and which rejects spending beyond its means.

An emotional debate included an offer to resign by Mr Ron Bailey, national campaigns co ordinator, and accusations of past profligacy. The conference increased membership fees by nearly a third but then agreed to reconsider cuts to campaign budgets.

Some 1,400 candidates, a tenth of the party membership, will fight council seats, largely relying on local campaigning. Nationally, the party has set aside £10,000. A party political broadcast for next week has been made for only £2,000.

Green themes make no concession to the other parties' preoccupation with local taxation. The Greens' alternative is to allow councils to choose from a series of alternative tax schemes. They also want to give voters the right to change councils' agendas and challenge regulations. So far, 200 candidates have agreed to stand on a "recall" basis – agreeing to recontest their seat at any time if 20 per cent of voters demand a re-run.

Party officials reject accusations that their proposals are a recipe for chaos. "Not consulting and making decisions quickly can actually take longer in the long run – look at the poll tax," said Mr Mallen Baker, party co-chair.

The 22-strong Green party council was given power by the conference to cut, if necessary, the paperwork sent to all members as part of a constitutional obligation to give all members equal say in decision-making. At the weekend, across-the-board cuts were agreed in the party's budget.

Members were unanimous in describing the party's predicament as one of crisis proportions, although one, Miss Penny Kemp, of Maidstone, was forced to withdraw her claim that "the party is bust".

Amid acrimonious debate, there were signs that the dedicated Green activists were relishing their immersion in the Greens' particular style of politics. Mr Andrew Simms, another party speaker, told members proudly: "I am a convener of a committee of one which has agreed to a cut in its budget to zero. Just shows how consensual we can be."

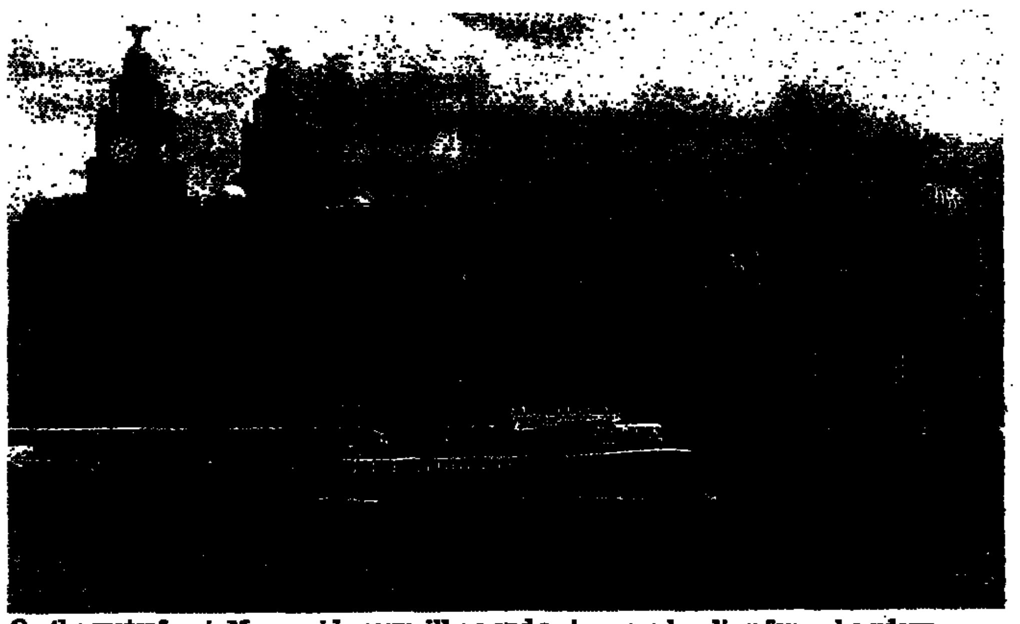
Government backs Liverpool council

By Ian Hamilton Fazey, Northern Correspondent

LIVERPOOL City Council's moderate Labour leadership has won government support in its determination to fight the unions, which plan a series of strikes from Wednesday against 1,000 planned redundancies among the city's 29,247 employees.

After secret talks, the government is understood to have tacitly approved a strategy of increasing the city's debt if it becomes necessary, on the ground that if the Labour moderates cannot make Liverpool more governable, no one else can.

The councillors' stand has been publicly endorsed by Mr Michael Heseltine, environment secretary. "The more Liverpool people are seen to be taking proper steps and running their authority correctly and with proper financial management, the greater confidence there will be in the city," he said on a visit to Liverpool last week. "The council is absolutely right to be determined to be seen as one which runs its budget properly and sets an appropriate lead."



On the waterfront: Merseyside councillors and unions are heading for a showdown

The unions have called a three-day all-out strike from Wednesday. Council leaders believe the unions will later impose a levy on the majority to pay for long-term strikes by workers in sensitive areas such as revenue collection. The city's capital debts, already at £780m, are 48 per cent higher than average for metropolitan boroughs. Borrowing to bridge revenue shortfalls caused by striking accounts clerks is likely to create a current-account budget deficit and precipitate more sackings.

Labour has 67 seats on the 99-seat council, and a recent purge of left-wingers by the party's national executive is expected to lead to an increase in the moderates' representation from 33 to about 40 in the local government elections on May 2.

Even so, council leaders and senior officers are concerned that the chaos some union leaders want to bring about, coupled with Liverpool council's reputation, may deter financial institutions from lending more money when Mr Phil Kelly, the treasurer, turns to the City to negotiate.

They are therefore emphasising that the fight is vital if Liverpool is ever to be run efficiently or fairly.

Mrs Vicki Roberts, who chairs the council's finance and strategy committee, said the council was operating below government recommended staffing levels in social and welfare services because manual unions were forcing overstaffing in building and maintenance departments.

A survey by the Liverpool Daily Post showed that Liverpool had 65.6 council workers per 1,000 population, compared with 58.6 in Manchester, a city of comparable size, 40.1 in Birmingham and 39.6 in Leeds.

Management of the city was severely criticised this year by the district auditor, the government's watchdog on town hall spending. A letter to all the councillors said that the prevailing culture was to provide jobs rather than services and that overstaffing had to be reduced.

After Labour's purge of Militant Tendency activists in the mid 1980s, the organisation's power base shifted into town hall trade unions, from which supporters cannot be expelled. The most prominent Militant is Mr Ian Lowes, leader of Branch 5 of the General and Municipal Workers, to which many council manual staff belong, and who has been expelled from the Labour party.

Any attempt to disrupt areas such as residential care homes or statutory social provisions will probably be met by councillors seeking injunctions against strikers.

Rolls-Royce discusses Thai joint venture

By Andrew Jack

ROLLS-ROYCE, the aero-engine maker, is in discussions to expand its capacity in the Far East which may include a joint venture in Thailand to make components for its products and supply the local market.

Senior officials of the company, including Sir Ralph Robins, the chief executive, held talks in Thailand, Indonesia and Japan on a visit that ended last Monday.

"We held initial talks in Thailand about the local manufacture of components for our range of aerospace products," Rolls-Royce confirmed yesterday. "We are interested in gaining new sources of manufacturing . . . But we are at a very early stage of discussions."

The company is still closely associated with the British engineering industry, a legacy of its days as part of the group that also made Rolls-Royce cars. The group was nationalised after going bankrupt in 1971.

The car division is now owned by Vickers, while the aerospace engines division was privatised in 1987.

While a large percentage of the company's components are manufactured in Britain, a significant proportion is sourced overseas, including some high-technology elements such as turbine blades.

Rolls-Royce already has joint-venture arrangements with companies in Australia, Spain, and Italy. It also signed one with a company in Indonesia a year ago. Some of the joint ventures are equal partnerships, while others involve smaller ownership stakes.

The Rolls-Royce executives also discussed possible future orders in Japan and plans for engine production at the Indonesian plant during their visit.

EC drug advert rule angers industry

By Elisabeth Tacey

UK DRUG manufacturers are launching a campaign against advertising rules proposed in a draft directive from the European Community.

Information carried on the packaging of non-prescription medicines would have to be given in television, newspaper and radio advertisements, according to a code proposed this month by the EC environment, public health and consumer protection committee.

The draft directive has also come under fire from the Association of the British Pharmaceutical Industry, the trade body for prescription medicine manufacturers, because the EC proposes to ban all "giving and receiving of gifts, pecuniary advantages and payments-in-kind" between the drug industry and practitioners. The association says that the proposed ban threatens to block sponsorship of educational meetings by the industry.

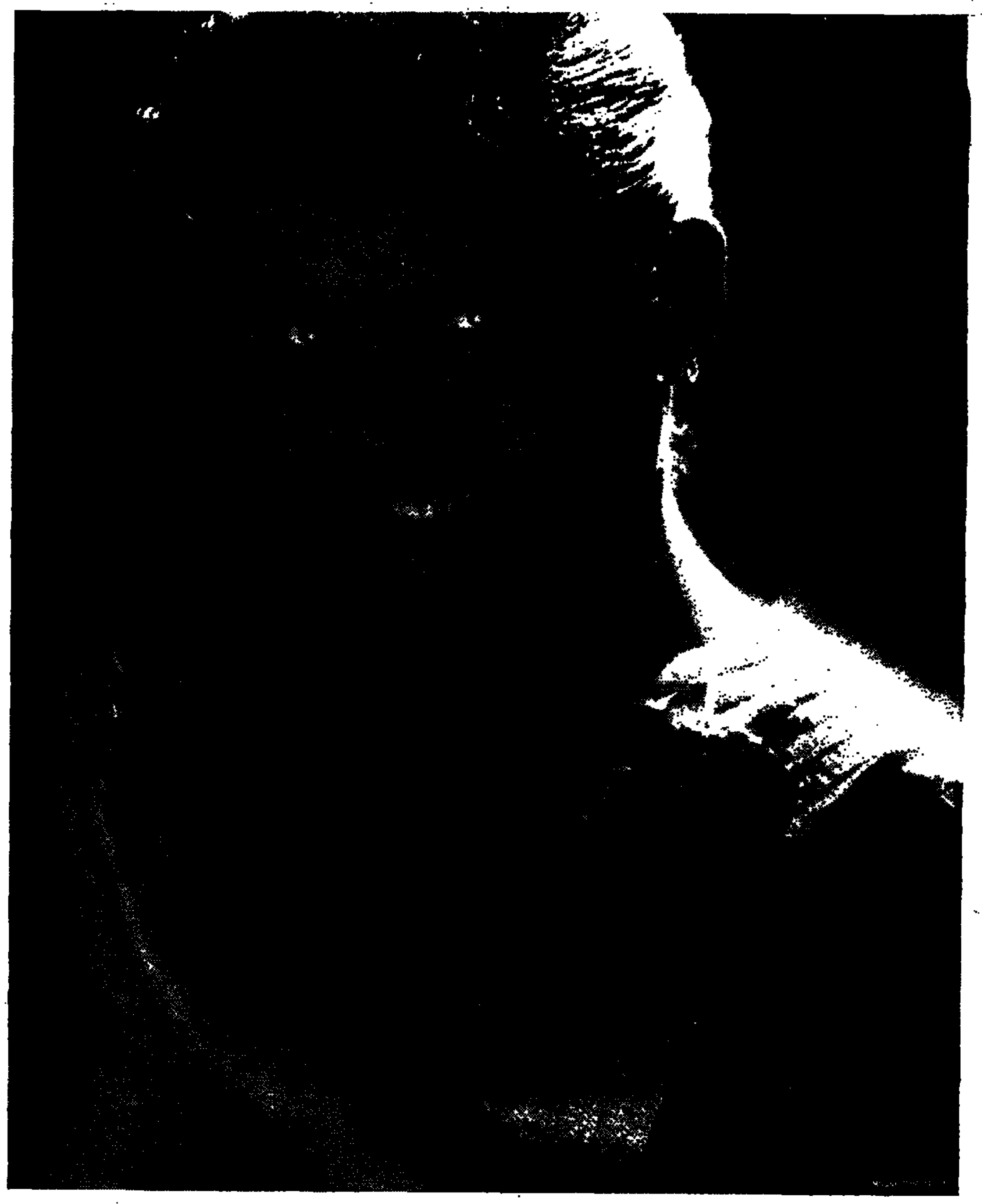
The directive says that all usage instructions, side effects or adverse reactions, precautions, interactions with other substances and any special recommendations must be given not less than a quarter of an advertisement's space, according to Ms Gopa Mitra of the Proprietary Association of Great Britain, representing non-prescription medicine makers.

The association carried out a survey in 1990 which showed that when two television advertisements for a cold remedy and a pain killer carried all the label information, fewer viewers remembered what the drugs were for than when another advertisement was shown with the simple message "Always read the label".

Prescription medicines can be advertised only to the medical profession.

Mr Ben Hayes of the ABPI said the association's code of practice allows "gifts as promotional aids that are inexpensive and relevant to the practitioner".

The system has caused controversy, with allegations of inducements being made to doctors to prescribe a company's drugs or to take part in drug trials.



UK NEWS

Government to consider charging road users

By Richard Tomkins, Transport Correspondent

MR Malcolm Rifkind, the UK transport secretary, is about to signal a fundamental change in the government's approach to the problem of traffic congestion on Britain's roads.

In the next few weeks he will announce that he is to consider introducing a system of charging motorists for the use of congested roads on a pay-as-you-go basis.

Cars and trucks would be fitted with electronic devices to interact with devices at the roadside, charging road users according to mileage, time of day and type of vehicle. This system, known as road pricing, is regarded by transport economists, the main opposition parties and a range of other bodies as offering the most realistic long-term solution to Britain's growing road congestion.

While Mrs Margaret Thatcher was prime minister, road pricing was rejected by the government as an unnecessary and politically unacceptable infringement of motorists' freedom. The rethink of public policies initiated by Mr John Major since he took over the leadership has opened the way for more sympathetic consideration of the idea.

Mr Rifkind is examining road pricing as a way of dealing with traffic volumes which

Malcolm Rifkind: about to signal fundamental change

are forecast to rise by between 83 and 142 per cent by the year 2025.

He believes the government's road-building programme, although heavily expanded, will be unable to accommodate the whole of this increase, particularly in urban areas and the densely populated south-east.

While greater investment in the railway system could help take some traffic off the roads, Mr Rifkind considers that British Rail's very small share of the passenger travel market – about 7 per cent of passenger miles – means this can form only part of the solution.

He has therefore asked his departmental officials to study the feasibility of rationing road space through a pricing system and to suggest ways in which it could be introduced – possibly on an experimental basis.

At present, the only country in the world operating a road pricing system is Singapore, where motorists driving into the city at busy times have to buy a permit and display it in their windscreen.

Other densely populated countries such as the Netherlands are considering the introduction of electronic road-pricing systems, and in Britain the city of Cambridge is working on plans for a local scheme.

Mr Rifkind's acknowledgement that the Transport Department's forecasts are unrealistic could have wider implications for Britain's road-building programme.

At present, the forecasts support the department's case for new road schemes. But if the department accepts that this traffic growth cannot materialise, its case for some road schemes – particularly the most environmentally sensitive ones – may be weakened.

Letters, Page 10

Workers to consider new strategies

By Our Labour Editor

UNIONS have been urged to use new management techniques to improve product quality. The call came in a paper published by the TUC as part of the most fundamental review of its role for a quarter of a century.

In the paper, which will be central to discussions among union leaders this year, unions are advised to learn as much as possible about human resource management (HRM) and total quality management (TQM) techniques.

An analysis of trade unionism in the 1990s by Lord McCarthy, a Fellow of Nuffield College, Oxford, argues that, HRM techniques stem from an acceptance by managers that people are not merely another factor of production.

Lord McCarthy admits that some overt attempts to improve involvement and commitment "turn out to be ways of loading [workers] with additional responsibilities without appropriate changes of job description or upgrading". But he says, the increased awareness that working people are the key to organisational efficiency can be seen "as an opportunity to show that unions can contribute constructively to the pursuit of total quality".

North Sea unions to agree deal

By John Gapper, Labour Editor

A DISPUTE between leaders of unofficial industrial action in the North Sea and official unions broke out publicly yesterday. Union leaders said they were prepared to sign a pay and conditions deal which would fall short of the terms they originally demanded.

Leaders of the Amalgamated Engineering Union responded sharply to criticism of union tactics in the North Sea from the leaders of unofficial action. Mr Gavin Laird, AEU general secretary, said the criticism was "singularly unfortunate" and would inhibit union recruitment.

Despite efforts to get most of the 20,000 contract workers to register with unions in order to hold a ballot on industrial action, AEU leaders said only 7,000 workers had registered. Mr Laird said this meant the ballot would have to be postponed indefinitely.

Talks between the unions representing contract construction workers and leaders of offshore contracting companies are due early this week. Mr Jimmy Airlie, AEU executive councillor, said he would be prepared to sign a deal providing conditions were met.

This would mean unions would re-enter an agreement covering work on "hook up" or the construction of rigs, which they abandoned two years ago because employers would not extend union recognition to the "post hook up" phase of rig maintenance on which most workers are employed.

AEU general secretary Gavin Laird, right, in Dundee yesterday with Jimmy Airlie, executive councillor, centre, and Tom McLean, construction section national secretary

They would accept instead a model set of terms and conditions unveiled by the Offshore Contractors Council last month in return for undertakings including an end to the alleged blacklisting of 460 workers who took part in industrial action.

This stance has been strongly criticised by the Offshore Industry Liaison Committee. This led unofficial action because the unions have accepted they will be unable to obtain a broad continental shelf deal covering all North Sea workers.

Leaders of the unofficial action may this week announce the possibility of forming a new union covering oil and gas workers which would be outside the Trades Union Congress. Mr Airlie described this initiative as "nonsense", saying it would damage workers' interests. A continental shelf agreement remained a long-term aim of unions, he said, but they were not yet strongly organised enough to achieve it.

Ford union leaders fear further job cuts

By John Gapper

UNION LEADERS at Ford, the US-owned vehicle manufacturer, have been called to a meeting with Ford's head of manufacturing in Europe this month, raising fears of further job losses at the company's plant in Halewood, Merseyside.

Ford said yesterday that it had no immediate plans for cutting jobs in Britain beyond the reduction of 980 jobs among its manual workforce of 31,000 which was announced earlier this year. The company said it also had no plans to close either the Halewood plant or its plant in Dagenham, Essex – which employs 12,000 workers – and it required output from both to maintain European capacity.

Mr Jimmy Airlie and Mr Jack Adams, the secretary and chairman of Ford unions in Britain, have been asked to meet Mr Albert Caspers, Ford's European vice-president for manufacturing operations, on April 25 and they expect to discuss Halewood's future.

Although productivity has been raised at Halewood and Dagenham in the past two years, the unions are worried about the long-term future of both plants.

Unions welcomed Ford's announcement this month of a £12.9m investment in Dagenham as a sign of the company's long-term commitment to the plant. However, it has implemented short-time working at Halewood because of a drop in demand for Escort cars.

Redundancies at Ford are likely to form the background to pay negotiations later this year at the end of a two-year pay deal reached in 1989. Pay talks at Ford traditionally act as a benchmark for pay in the car industry and in manufacturing generally.

Because the second half of the 1989 two-year deal guaranteed workers a rise of 2.5 per cent above inflation, Ford employees received a 13.4 per cent rise last November. The fall in demand for cars in Europe may make Ford less generous this year.

Shareholders demand greater accountability

By Eric Short, Pensions Correspondent

NON-EXECUTIVE directors are to be expected to monitor the activities of executive directors and, should they consider their performance unsatisfactory, report directly to shareholders.

This role of non-executive directors as the guardians of shareholders' interests will be set out on Thursday when the Institutional Shareholders Committee publishes its long-awaited code of practice for directors.

It is expected that the code will not only detail the responsibilities of non-executive directors in their role as watchdogs over the activities of the executive directors, but spell out the way in which non-executive directors will be accountable to shareholders.

The debate over corporate governance – the responsibility of institutional shareholders towards the companies in which they invest – has been spurred by cases of corporate irresponsibility during the past decade.

The Bank of England, in particular, has been urging institutions to take a more active role in the companies in which they invest – especially when things go wrong or companies act unreasonably.

The ISC, comprising investment manager representatives of pension funds, insurance companies, unit trusts and investment trusts, has reacted to this pressure by drawing up a code of good practice on how companies should be controlled.

The code is expected to state that companies should appoint an adequate number of non-executive directors, who should be independent of their executive colleagues as well as being responsible for setting their levels of remuneration.

Leeds may take tax proposals to European Court

By David Barchard

THE LEEDS PERMANENT Building Society may go to the European Court of Human Rights to challenge Budget proposals to block repayment of £57m paid in double taxation if it is unable to gain legal redress in the UK.

The society says it plans to press ahead with a High Court action against the Inland Revenue, but its prospects appear to be slim because of retrospective legislation announced by Mr Norman Lamont, the chancellor, in the Budget.

Mr Mike Blackburn, chief executive of Leeds, the UK's fourth-largest building society, said Mr Lamont's claim in the Budget speech that he was correcting a defect in the law to prevent building societies from enjoying a windfall gain was an outrageous use of retrospective legislation to trample over the rulings of the courts.

Mr Lamont was announcing rules to prevent societies from claiming £250m in double taxation paid in 1985 and 1986. Details will be published in the Finance Bill on Wednesday.

Mr Blackburn last week wrote what are believed to have been strongly worded letters to Mr Lamont and to Sir Patrick Mayhew, the Attorney General, disputing the way in which the Inland Revenue has presented the affair.

The Chancellor's action followed a House of Lords victory for Woolwich Building Society last October in a test case brought to establish the societies' right to money paid to the Inland Revenue during the transitional period in 1985-86 while composite rate tax was applied to building societies for the first time.

The double taxation arose because the Inland Revenue made no allowance in its transitional regulations for the societies whose financial years ended in the autumn rather than coinciding with the tax year.

The Budget statement said building societies that brought actions after Woolwich would not get their money back.

It was the second government attempt to introduce retrospective legislation to do so. The first, in 1986, was defeated in the Lords because it was incorrectly drafted.

Mr Blackburn said: "The effect of the chancellor's proposal on the Leeds Permanent would be to perpetuate the confiscation of a substantial sum of money – £57m excluding interest since 1986 – that belongs to the reserves of the society, which in turn belong to its members."

Index-linked certificates lead National Savings

By Eric Short

INDEX-linked National Savings Certificates were the best-selling National Savings product in 1990-91. The public bought £1.18bn of them, net.

That investment was by far the largest contributor to National Savings, with a positive investment of £1.4bn (a contribution to public-sector borrowing) in the financial year 1990-91, compared with a net disinvestment public-sector debt repayment of £1.68bn in 1989-90.

The recent public appeal of the certificates reflects high levels of inflation. At the same time, the public was disenchanted with fixed-interest National Savings certificates last year, with a net sale of £1.22bn.

Income Bonds and the National Savings Investment Account, both popular with non-tax payers because income is paid gross, also did well, with net investment of £785.7m and £632.5m respectively. Capital Bonds, with net investment of only £204.1m in 1990-91, have still not become popular since their launch a couple of years ago although they pay benefits gross.

Recovery is forecast in fourth quarter

By Jim McCallum

THE UK economy will enter a weak recovery after its present deep recession in the second half of this year, according to a group of forecasters using the Treasury's computer model of the economy.

The Ernst & Young Item Club forecasts that lower interest rates will have given a strong enough boost to business and consumer confidence by the middle of this year to stop the economy contracting.

The recovery in the second half will be weak, it says, although slightly stronger than Treasury predictions. However, by the end of 1991 output will be back to just above its 1990 level, which itself was barely above 1989's.

In the first half of this year, gross domestic product is expected to fall by more than 3 per cent from the same period last year, making the recession nearly as deep as that of 1980-81.

Item expects a further 0.2 per cent decline in output in the second half of this year and a 1.7 per cent fall for the year. By the fourth quarter, the economy will be growing by 0.2 per cent on the year.

Although lower interest rates will improve corporate cash flow, the sharp fall in inflation will reduce companies' ability to boost margins by raising prices, which will further hold back growth, according to Item.

Item expects the corporate sector to cut its financial deficit by £6bn this year to £21bn by way of a 12 per cent reduction in investment and by shedding labour. That will allow industry to cut its interest payments from the £23bn reached in 1990 but "will mean continuing famine for the capital goods industry and a slow crawl out of recession".

Item expects inflation to fall to 4.1 per cent by the end of this year, while unemployment rises to 2.19m and to 2.57m in 1992.

In 1992, output is expected to grow by 2.2 per cent. If oil output is taken out, the economy is expected to grow by 1.3 per cent, compared with the Treasury's estimate of 2.75 per cent.

Financial services may begin picking up

By Eric Short, Pensions Correspondent

THE RECESSION in the financial services sector appears to be coming to an end, according to the latest quarterly survey of the sector by the Confederation of British Industry and leading accountancy firm Coopers & Lybrand Deloitte.

However, the survey also forecasts that firms are likely to continue making substantial cuts in employment even after those made over the past three months.

The report highlights the fall in business volumes in the sector since last summer and says it accelerated during the three months to March. Activity by private individuals is sharply down, and financial institutions and industrial and commercial customers have also cut activity.

However it is expected that, overall, business volumes will stop falling over the next three months, with building societies in particular expecting a strong revival in business from private individuals, to offset an expected continued decline in activity within banks, finance houses and general insurance companies.

Profitability in the sector declined sharply over the past three months, resulting in widespread job cuts, particularly by banks.

The decline in profitability is expected to slow considerably over the next three months as business picks up and costs come under tighter control.

Nevertheless, the survey shows that staffing cuts are expected to continue at a slightly higher rate over the next three months as firms strive to reduce the proportion of total costs accounted for by staff.

Financial Services Survey. March 1991. CBI Economic Trends Department. Centre Point, 103 New Oxford Street. London, WC1A 1DU. £25 members, £40 non-members.

Peter Davis: leading role in merger of BSB and Sky

Reed may withhold new cash for BSkyB

By Raymond Snoddy

REED International, one of the main shareholders in British Sky Broadcasting, may decide not to put new money into the venture and to accept dilution of its stake of roughly 10 per cent.

No final decisions have been taken but Mr Peter Davis, chairman and chief executive of Reed, yesterday declined to confirm or deny reports that the international publishing company might not participate in plans to raise up to £200m for the satellite TV venture.

Reed's share of the fund raising for the consortium created in November by the merger of British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television would be between £20m and £25m.

Mr Frank Barlow, chief operating officer of Pearson – which publishes the Financial Times and holds roughly 10 per cent of BSkyB – said yesterday that if Reed decided not to take part in the new round he was confident that the money would be raised by the other original BSB shareholders.

The main BSB shareholders other than Reed that would be responsible for raising half the new money are Pearson, Granada and Chargeurs. Mr Murdoch has said he will put up his half of the £200m in a mixture of cash and value such as film rights.

The industry would be surprised if Reed decided not to go ahead. Mr Davis was important in setting up the negotiations that led to the merger of BSB and Sky, and Mr Ian Irvine, deputy chief executive of Reed, is also chairman of BSkyB.

The apparent doubts at Reed come when the other shareholders are more optimistic about the medium-term prospects for what is virtually a satellite television monopoly.

Publishing directors quit in row with parent

By Raymond Snoddy

THE managing and editorial directors of Mitchell Beazley, the specialist publisher, have resigned in a row with its parent company Octopus Books, part of Reed International.

The resignation of Mr Duncan Baird, managing director, and Mr Jack Tressidor, editorial director, came after an insistence that Mitchell Beazley give up its separate premises and move into the Octopus headquarters in London.

Mitchell Beazley was one of the leading niche publishers of the 1970s and 1980s, famous for its Hugh Johnson books on wine and The Joy of Sex.

Mrs Janice Mitchell, widow of Mr James Mitchell, a co-founder, is expected to resign as a non-executive director.

When Mrs Mitchell sold the publishing company to Paul Hamlyn's Octopus four years ago – just before it in turn was taken over by Reed – undertakings were given on both autonomy and an independent location.

When Mitchell Beazley moves to Octopus headquarters in Michelin House, Fulham, redundancies are feared in areas such as sales which could be served centrally.

Mitchell Beazley is believed to have pre-tax profits of about £900,000 on a turnover of £10m.

It is not clear whether the top-level resignations will endanger relationships between the publisher and its authors.

Threat to finance for exhibition centre expansion

By Paul Cheeseright, Midlands Correspondent

NEGOTIATIONS to attract private capital to help to finance a £115m expansion of the National Exhibition Centre in Birmingham are on the verge of failure.

Birmingham City Council, the owner of what is the UK's largest purpose-built facility for trade fairs, will now seek to persuade the Department of the Environment to relax financing restraints to enable the expansion to take place.

Previous expansions have been financed by council-guaranteed borrowings. Whitehall's refusal to allow a similar course for an extension of the trade fair facilities from the existing 125,000 sq metres to 155,000 sq metres led to the search for private capital.

The management company of the National Exhibition Centre has been talking with an unnamed group of trade exhibition organisers and building contractors for almost a year over terms for a joint venture on the planned new extension.

The talks have now reached the stage where the private-sector companies either have to accept what is on offer or reject it. A final meeting between the management company and the private-sector companies will take place within a month, said Mr Terence Golding, the NEC chief executive.

It is clear that the terms for private-sector involvement are not acceptable to the companies. "This is not the right climate to plan a long-term investment, a property-based investment," Mr Golding said. "We never thought it would be easy to persuade the private sector to invest in the NEC – there are too many other investment vehicles."

The council will now seek to persuade the Department of the Environment to approve an alternative means of funding the expansion or enable loans to be raised pending a disposal of part of the asset to the private sector when the economy recovers.

The city council will argue that because the NEC is a UK, rather than a local, asset the constraints on local-authority borrowing should be lifted.

The council will emphasise that since the early 1980s the NEC has not only serviced its loans but has also made a contribution to the city's general rate fund. It will argue that constraints on local-authority borrowing are selectively applied. For example, Manchester airport's second terminal will be financed with council loans.

APPOINTMENTS

Bankers Trust venture in Eastern Europe

A CORPORATE finance team has been formed by BANKERS TRUST COMPANY to cover Eastern Europe, specialising in providing merchant banking services for the privatisation initiatives in Czechoslovakia, Hungary and Poland. Mr David Flitterman, formerly head of corporate finance in Brazil, will head the team. Mr Alex Pashkowsky transfers from the real estate finance group in New York, where he has worked on two hotel privatisations in Czechoslovakia. Mr John Collett will continue to cover Hungary, and Mr Alex Ustraykh will cover the USSR as well as energy-related activities in Eastern Europe.

Mr Stanislas Popow has joined Bankers Trust from J.P. Morgan. After a brief spell in London he will transfer to Amertrust, the Warsaw merchant bank 70 per cent owned by Bankers Trust.

Bankers Trust has appointed Mr Dorlan Klein as managing director of its lease and project finance group, and Mr Mounzer Nasr as vice president. Both were with The Transportation Group.

Mr Rob Cragg *(pictured)* has been appointed chairman of the UK companies in the MOLEX group, from July 1. In addition he becomes vice president in European operations, based in Munich, and will be appointed to the European board. He is managing director of Molex Electronics, Bordon, Hants, where he will be succeeded by Mr Graham Brock, general manager of Molex Canada.

■ Mr P. Naylor has been appointed managing director of Johnston Construction, Redhill, a subsidiary of the JOHNSTON GROUP. He also becomes a director of Hadsphaltic International, and Johnston International. Mr Naylor was a director of Edmund Nuttall.

■ Mr Shaun Dowling has been appointed chairman of MAJESTIC WINE WAREHOUSES. He is an executive director of Guinness.

ROYAL MAIL INTERNATIONAL has become a separate business division within the Royal Mail. The new division is headed by Mr *Jim Cotton-Betteridge (pictured)* who becomes general manager. He was commercial manager and takes over from Mr Cedric Briscoe who has retired.

■ Mr Brian Langdon-Pratt has joined the fund management group as head of equities at THE UNITED BANK OF KUWAIT, London. He was with Citicorp Scrimgeour Vickers.

■ BLUECREST FOODS, Grimsby, a member of Booker fish division, has appointed Mr Andrew Brefitt as sales and marketing director, with responsibility for the frozen food business. He was general manager, Bluecrest Catering.

■ GREIG MIDDLETON & CO, stockbrokers, has appointed Mr Michael Bradford and Mr Laurie Adams as directors from today following the integration of the company with Hall Graham Bradford. Mr Peter Conway and Mr Colin Fenn will become associated members. Mr Robin Waters has been appointed a director, in charge of the new Norwich office. Mr Paul Snow joins as an associated member.

CONSTRUCTION CONTRACTS

New conference centre for Northamptonshire

PORTAL CONSTRUCTION, developer and builder of Higham Ferrers, Northamptonshire, has been awarded design and construct contracts totalling £3.7m.

At Chapel Brampton, Northamptonshire, the 1861 built Sedgebrook Hall is being refurbished and converted into a conference centre for Hayley Enterprises.

The £2.3m contract includes new buildings for 62 bedrooms with en suite facilities, a main conference hall, restaurant, kitchens and a recreation and fitness centre with a swimming pool.

E. Woodley & Sons is developing the Higham Ferrers Business Park on the old railway goods yard and has awarded the company the £300,000 Phase I contract to construct roads and sewers.

In Corby Portal has a £700,000 contract to build a 23,000 sq ft distribution centre for T-Shirt Connection and is also to construct a £400,000 office and production area extension for Certech International.

London building projects

WALTER LAWRENCE, through its subsidiary Walter Lawrence City & Southern, has been awarded a number of contracts with a total value of £4m.

For the Royal Borough of Kensington & Chelsea, Walter Lawrence is demolishing the Diners Club beneath the Westway subway (M40), and creating a health and day care centre. A ground floor will be reconstructed with a first floor in structural steel and reinforced concrete with decorative metal facades. The architect for the £2m scheme at 34-36 Malton Road, London W10 is Design Group Nine.

For the London Borough of Hammersmith & Fulham and the City of Westminster, Walter Lawrence is carrying out structural repairs and refurbishment to empty properties. In Fulham, 10-15 units, generally two-storey, terraced with pitched roofed houses will be refurbished for Hammersmith & Fulham at a cost of £1.3m and for Westminster, £200,000 refurbishment work will be carried out to 12 properties.

Walter Lawrence City & Southern, again working for Westminster on the Lisson Grove Estate, London NW8 will carry out re-roofing to eight blocks of flats.

On behalf of the Isle of Dogs Neigbourhood, Walter Lawrence is carrying out fire precaution works to Poplar College, Poplar High Street, London E14. Work began in January and is expected to be completed in April.

Offices plan in Salford

Manchester-based Co-operative Bank has awarded WIMPEY CONSTRUCTION NORTH WEST a £1.2m contract to extend its facilities at Montford Street in the heart of the Salford enterprise zone.

Over a period of seven months, Wimpey will design and build 12,000 sq ft of additional office space for the administration centre, which serves the bank's north west operation.

Architect Austin Strzala Turner, in conjunction with White Young Consulting Engineers, has produced a design for the two-storey extension to complement the original building, which was built by Wimpey three years ago.

The Co-operative Property. Group is acting as employer's agent for the scheme.

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MOWLEM EUROPE, in joint venture with Conran Roche, is to undertake an economic and infrastructure study for the Schwedt/Angermunde region of the former German Democratic Republic. Work will last throughout this year.

Trading financial futures

BOVIS CONSTRUCTION, a P&O company, has been awarded an £11.5m construction management contract to fit out two floors of the Cannon Bridge Development in the City of London for LIFFE (London International Financial Futures Exchange).

Work has started on the 36-week construction management programme to create a 1,370 sq metre trading floor with some 800 trading booths and office accommodation. This will be situated on both floors of the two-storey development, which straddles Cannon Street Station and was also built by Bovis Construction.

The terraced trading floor will be fitted out to the highest standards with complex computer communication systems installed in floor ducts and suspended ceilings. Large, computerised screens installed on overhead gantries will display up-to-the-minute financial information.

A staff/members' lounge, trading floor, support offices and cloakrooms will surround the trading floor which will be visible to visitors from a glazed viewing gallery on the second floor.

Further office accommodation and training facilities will be located on the second floor.

Additional work will be carried out to the plant room and public areas within the development.

New office block in Stockport

A management contract for construction of a £7m plus pyramid office block at Kings Valley, Brinksway, Stockport, has been awarded to BALLAST NEDAM CONSTRUCTION by Grimley J.R. Eve.

The pyramid shaped high-technology building - steel framed and fully glazed in blue solar reflective glass - will provide 100,000 sq ft of high quality office space on four floors. The plant rooms will be located on the fifth floor and the building services areas and switch rooms will be positioned in the basement.

A feature of the building will be a full height atrium in silver reflective glazing which will house two wall climber lifts and three service lifts. Externally, extensive landscaping will take place and security controlled car parking for about 400 vehicles will be provided.

The project has just begun and is scheduled for completion early 1992.

Ballast Nedam Construction is part of British Aerospace.

Expansion for Sunderland car plant

SIR ROBERT McALPINE & SONS has been awarded a design and management contract, worth £3.7m, by Nissan Motor Manufacturing (UK) for the further expansion of its car manufacturing plant at Sunderland, Tyne & Wear.

This contract is for a 5300 sq metres extension to the press shop facilities. Construction of the 17 metres high single-storey building will be of structural steel frame, on reinforced pad foundations, clad with composite steel panels and roofing to match the existing buildings.

A large machine pit, 40 metres x 13 metres x 8 metres deep, will be constructed within the press shop extension. This will entail excavating in solid rock up to four metres below the surrounding water table level.

Work, due for completion in May 1992, includes the installation of a gas-fired factory heating system, all building services and the provision of beams and rails for the overhead gantry cranes.

McAlpine Design Group is responsible for the design of the building and services. Turner & Townsend has been appointed as quantity surveyors.

£7m awards for Hall & Tawse Group

HALL & TAWSE GROUP, the construction arm of Raine Industries, has won more than £7m worth of new business in February.

The bulk of contracts has been awarded to Hall & Tawse Scotland - particularly the company's joint venture division which has clinched more than £1.5m of new work including a £925,000 sheltered housing scheme in St Monans, Fife, in partnership with Kingdom Housing Association.

The Aberdeen-based company has also received a £1.5m contract for a special care housing scheme in Edinburgh for Port of Leith Housing Association.

European base for Amerada Hess

DON REYNOLDS, the curtain walling subsidiary of Henry Barrett Group, has been awarded contracts worth about £3.7m. The four contracts, two in Scotland, one in Northern Ireland and one in England, will use Series 200, 400 and 500 of the curtain walling systems.

A four-storey extension plus refurbishment to the Amerada Hess building in Aberdeen will be carried out by Don Reynolds. This will become the new European headquarters for the Hess Corporation. The project value is about £1.2m and the main contractor is Miller Construction also from Edinburgh.

Don Reynolds has been chosen to build a four-storey office block for the headquarters of Scottish Nuclear Fuels in East Kilbride. The main contractor is the GA Group and the value of the project is about £1.1m.

Following the recent fire at Sprucefields Shopping Centre in Lisbon, Northern Ireland, Don Reynolds will carry out the rebuilding of single-storey units. The main contractors are McLaughlin and Harvey, Belfast, and the contract value is about £950,000.

Glenlivet Properties has awarded a contract for a three-storey office development at Carbrook Hall, Sheffield. The main contractors are Bowmer and Kirkland and the contract is worth about £450,000.

MANAGEMENT

Nuclear Electric

Facing a deadline of megawatt proportions

David Thomas on the challenge of introducing a commercial ethos

High on any list of companies ripe for a turnround would be Nuclear Electric, the state-owned operator of 12 nuclear power stations in England and Wales.

Morale in the industry is at rock-bottom, following the UK government's decision in late 1989 not to privatise the nuclear stations. Public confidence in nuclear power is, if possible, even lower. Not only has the industry been contaminated by the fall-out from nuclear disasters like that at Chernobyl; its claims that power was cheap were also shown to be misleading during the privatisation process.

Yet Nuclear Electric, created just a year ago and with its first corporate plan newly landed on ministers' desks, has only until 1994 to get its act together. That is when the government has promised to review the future of nuclear power. At stake is the question of whether any new stations should be built after Sizewell, the only nuclear station now under construction in Britain.

The man with one of the most difficult management tasks in Britain is John Collier, Nuclear Electric's 56-year old chairman. A life-long nuclear engineer and proud author of the standard textbook on "convective boiling and condensation", Collier is turning his mind to the messier arts of cost-cutting, team-building and politics.

For the first time in its 35-year life, nuclear power in Britain has powerful commercial competitors. Nuclear Power is in direct competition with National Power and PowerGen, the newly privatised fossil fuel generators, for any growth in electricity demand which emerges in the 1990s.

It is scarcely surprising, therefore, that the policies adopted by Nuclear Electric to sharpen up its commercial performance resemble those favoured by National Power and PowerGen in the run-up to privatisation. Central to these is the new designation of Nuclear Electric's power stations as profit centres.

This more commercial ethos is being overseen by Mike Kirwan who left consultants Coopers & Lybrand Deloitte last year to become Nuclear Electric's finance director, and is one of a raft of private sector managers imported into the finance and commercial functions. "We want to transmit the profit motive downwards to managers in charge of the power stations, which in the past would have been regarded as cost centres, but now are profit centres," says Kirwan.

The operational heart of this programme is a new system of internal markets, described by Kirwan as "a pretty fundamental change in the way we run the business". In future, Nuclear Electric's departments which provide an array of costly technological services for the power stations will have to bid for the business. Station managers will be free to accept an internal bid or to look outside for cheaper services.

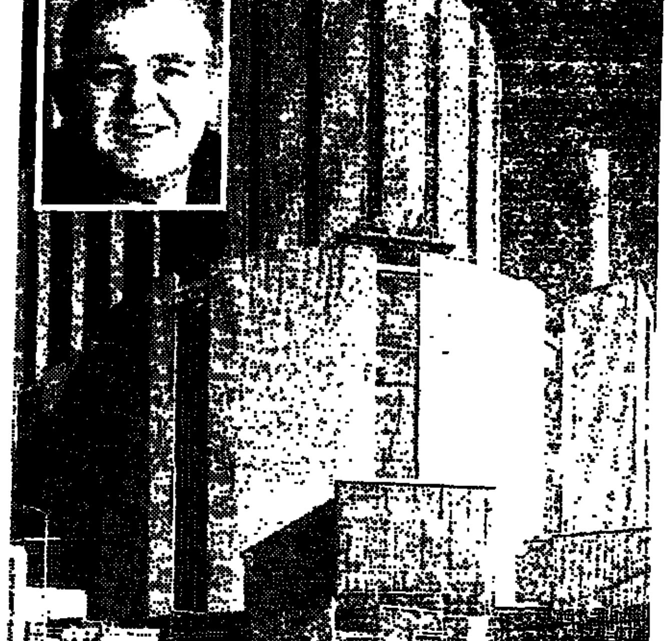
Coupled with a new system of performance-related pay for managers, Nuclear Electric views internal tendering as crucial to improving its efficiency. Committed to an "aggressive headcount reduction", Nuclear Electric's senior managers admit privately that staffing in the old Central Electricity Generating Board was "gold-plated".

Last year, staff costs amounted to £305m, a sixth of the total. John Collier has announced a target of scything 2,500 out of its workforce of 14,500 by 1994. Other measures in Nuclear Electric's corporate plan to boost profits include:

● **Improving AGR performance.** The five stations which use advanced gas-cooled reactors, a design unique to the UK, have been notoriously poor performers. Even last year, when they recorded their best ever performance, they produced less than 23 terawatt hours (TWh) of electricity against a theoretical maximum of 40TWh.

Higher output from the AGRs would not be matched by a corresponding increase in costs, so increasing their production is fundamental to Nuclear Electric's short-term prospects. John Collier, who says the AGRs are overcoming their fuel-handling problems, holds out the prospect of the AGRs producing 30TWh within three years.

Collier says Hartlepool and Heysham 1, two of the less efficient AGRs, are "coming good". He is less sanguine about Dungeness B, which has typically performed at less than 20 per cent of potential. "If in two to three years' time, it is still failing to generate significant amounts of power, we will have to look at its continuation very seriously."



John Collier: questioning the future of Dungeness B

● **Extending the life of Magnox stations.** The seven stations which use Magnox reactors, the oldest commercial reactor in the world, present a different problem. There is little scope for squeezing more output from these workhorses, but Nuclear Electric wants to extend their lives, since all their capital costs are sunk. Collier says the marginal cost of electricity from the Magnoxes is less than 1.5p a unit (kilowatt/hour), way below the costs of competing fuels.

Nuclear Electric has put three options for extending the Magnoxes to the Nuclear Installations Inspectorate, the safety watchdogs. Under the most ambitious, the lifetime of the stations would be extended to between 33 and 37 years. The inspectorate's permission will be needed to keep the stations open beyond 25 years.

● **Cheaper decommissioning and waste management.** Nuclear Electric now backs a novel decommissioning route which does not involve dismantling old nuclear stations.

Instead, the reactor building would be sealed in concrete and left under observation for about 135 years. After that, the site would be mounded over and could be opened to the public as a picnic spot. Whether the public will feel happy frolicking on top of an old nuclear reactor remains to be seen, but the attractions for Nuclear Electric are clear; it reckons it would shave more than £1bn off the £3.5bn discounted cost of decommissioning its nuclear stations.

In parallel, Nuclear Electric is in the middle of long-running negotiations with British Nuclear Fuels (BNFL), the state-owned nuclear waste operator, about cutting the cost of waste reprocessing. Nuclear Electric wants to replace the current regime of cost-plus contracts with a new fixed-price system. Since BNFL's charges account for a quarter to a third of Nuclear Electric's costs, the potential savings are again substantial.

Taken together, this strategy is designed to double operating profits after eight years, a more aggressive target than that agreed with the government when Nuclear Electric was formally created last year.

At the time, Nuclear Electric committed itself to achieving broadly the same operating profits after eight years as last year, namely £225m. Improvements in performance were planned to match the decline in income from its government-backed subsidy – a levy on all electricity bills. Senior executives recognise, however, that even the new target will not be enough to deliver a return on capital which would rank as satisfactory in the private sector.

Put another way, even if Nuclear Electric succeeds in all its aims, its power will still cost much more than that from new stations burning gas, the fuel of choice in the rest of the industry. Comparing the cost of electricity from different sources is notoriously open to manipulation. But even Nuclear Electric quotes the unit price from Sizewell on completion in 1994 as 5.2p, compared with 2.9p from a new gas-fired station.

"The economics (of nuclear power) in the long term will be compelling. The problem is how to get through a rather difficult four to five years," Collier says.

The industry is pinning much of its hopes on public concern about global warming. For once, nuclear power is squeaky clean on an environmental issue; Industry executives believe that global warming will force governments to boost the price of fossil fuels through carbon taxes, thereby improving nuclear power's competitiveness.

Meanwhile, Nuclear Electric is preparing for the promised 1994 review. Demonstrating that it can complete Sizewell to time and cost will be crucial.

But more important still will be the outcome of the next general election. Conservative ministers have all but prejudged the review by stressing their strong support for nuclear power; the Labour party is much more iffy.

The unkindest cut of all

Christopher Lorenz on the head office conundrum

Few company announcements, short of a set of glowing profits, attract so much approval from shareholders, employees and the media as declarations of intent to slash the size and cost of corporate headquarters.

Yet few actually generate so little real action.

Take three large corporations which, over the past decade, have been seen as management models: General Electric of the US, British Petroleum, and ICI.

They may be models in other respects, but only one of the trio, GE, ended the 1980s with the really lean head office to which its chairman had supposedly dedicated himself at the start of the decade. The other two left much or all of the job to their successors; at BP, action was taken a year ago, while ICI made another declaration of slimming intent only in February.

Back in 1982, when ICI was (as now) *hit* hard by recession, the incoming chairman, Sir John Harvey-Jones, set out to cut its head office staff from about 1,200 to around 150. But he managed to slim it only as far as 400 or so in London, with several hundred more relocated elsewhere. The central core has since edged up to 500, with another 480 on other sites, in and around London.

In the same year, amid a veritable flood of supposedly swingeing head-office cost-cutting from other UK companies, the new chairman of BP, Sir Peter Walters, declared his intention to cut his head office from its 2,000-plus level. By the end of his tenure in 1990, BP's head office was 2,200. It took the new chairman, Robert Horton, to wield the necessary axe last year, and get the core down below 400, though on the widest definition BP's head office still employs almost 1,200 people.

Defining who does, and does not, work for a head office of a large company, rather than for a division or "business" beneath it, is difficult in these days of advanced information technology and widespread job dispersal that General Electric, despite its early successes, has given up talking about it in public.

It may seem naive to wonder why most chairmen find it so hard to match brave words with action so close to their own seats of power – and why, in particular, it took ICI's Sir Denys Henderson, chairman after Harvey-Jones since 1987, until February to herald a much-needed further cost-cutting drive.

According to a senior executive at ICI, one reason is that its head office, like most others, has always contained very powerful functional barons. Unless the chairman of the day takes a very strong line towards them, streamlining "just won't happen". ICI chairmen have declared their intention to kick head office into shape, but only Harvey-Jones came anywhere close to doing so.

Then there is the chairman's own style. It was all very well for Sir Peter Walters to declare his intent to chop BP's headquarters sharply, but his natural insistence on central control of most group activities meant that a large head office staff was inevitable.

This degree of supervision was probably necessary in the early 1980s in order to steer the transformation of BP's asset portfolio and to "parent" the group's inexperienced new divisions. But these "second-guessing" activities became increasingly redundant from the mid-1980s.

When Robert Horton virtually halved BP's corporate staff on taking office, he also abolished about 70 of the head office committees which they served – more than three-quarters of the total. He also began to introduce a much more informal, and flexible, way of working. ICI, conversely has just been forced by the under-performance of its divisions to introduce an extra high-level control committee.

As BP's "networking" approach works its way through the corporate system – both at head office itself, and in relations with the group's constituent businesses – its headquarters could shrink further. There could be added pressure in this direction from the businesses, which want the group to be clearer about the degree to which its headquarters contributes to shareholder value.

Beyond personal and corporate style, the size of a company's head office is influenced by some tricky structural factors. At BP, the traditionally complex matrix organisation has been simplified drastically by giving divisions (which BP calls "business streams") primacy over geographic regions.

Against the background of the new culture of openness and informality which Horton is trying to establish, the result is that headquarters no longer has to intervene constantly to iron out tensions between powerful divisional and regional barons.

At ICI, by contrast, only in the past few months has a decision been taken to relegate all "geographic territories" to providing services to global businesses, rather than sharing business decisions with them; the consequences for head office staffing will not be decided until later this year.

A further factor which influences the size of any large company's head office is the extent to which a national corporate HQ is included within the global headquarters. BP has moved further away from this than has ICI.

The fact that BP can now operate with a relatively small head office is also due to the slimness of its portfolio – just three large businesses, and one smallish one – and the fact that the inter-relationships between them are relatively simple. GE, with over three times as many businesses, nevertheless, has even fewer cross-business "synergies" to manage.

ICI, in contrast, is a much more complex animal. The portfolio pruning which it heralded last month may simplify things somewhat, but most types of chemicals businesses are much more interconnected than are, say, BP's exploration and nutrition divisions – and certainly more so than GE's conglomerate-like portfolio of aero engines, household appliances, financial services, TV stations, and so on.

To be fair to ICI, a small head office is not necessarily beautiful for every type of company. Much depends on the "parenting" requirements of businesses in its portfolio.

One head office parenting role is right in some circumstances, but not in others. Precisely the same goes for size. Just as most head offices are probably still too large, and add more burden than value to the businesses beneath them, some suffer from the opposite complaint.

LETTERS

Tackling road congestion

Inter-urban congestion can be eased

From Mr Richard Diment.

Sir, I have rather more confidence than Richard Tomkins ("Pile-up in the great car economy", April 9) that the government's road improvement programme will reduce traffic congestion.

While it is true that total route mileage will increase by about 2 per cent, the improvement programme concentrates on providing extra capacity by widening rather than lengthening the existing inter-urban road network. Under the government's proposals for England, the capacity of the trunk road network, which carries one-third of all traffic and two-thirds of goods traffic, will grow by about 45 per cent.

This will involve improvement of about one-third of the existing network estimated to be incapable of coping with forecast traffic at the turn of the century. The remaining two-thirds of the trunk road system is estimated to have adequate capacity to meet future demand to beyond the turn of the century.

Provided the programme is fully implemented, we can meet inter-urban traffic demand for the foreseeable future. Mr Tomkins' analysis becomes far more relevant in urban areas where increases in capacity will be minimal but at the same time traffic growth in those areas will be far lower. Nevertheless urban problems could be eased if through traffic could be removed from towns and villages on to bypasses.

Having removed through traffic from towns and villages, attention can be turned to the local traffic. But it should not be assumed that it can simply be catered for on an improved public transport system.

Evidence from Britain and western Europe shows that previous improvements in public transport have mainly benefited existing users who find themselves with a more convenient service. Those improvements have done little to encourage drivers to leave their car at home. It may well then be necessary to use a stick, perhaps road pricing, to encourage more use of public transport in such areas.

But advocates of traffic restraint should be aware of a recent study in Stockholm which concluded that the imposition of road pricing would result in an 8 per cent reduction in city centre retail trade. How many towns and cities would pay that price to reduce their traffic congestion?

Richard Diment,
deputy director,
British Road Federation,
Pillar House,
194-202 Old Kent Road, SE1

Night deliveries could bolster company margins

From Mr Martin E. Thompson.

Sir, The prospect of road prices, as represented in Richard Tomkins' article, presents an evil spectre to a transport industry already dogged by fuel and VAT increases.

Often cited as an indicator of the state of the UK economy as a whole, the fact that many of the industry's stalwarts (such as John Dee Group, Rockwood and Hunter Distribution) have gone to the wall, gives something of an impression of the state of the market.

The cost to the economy of congestion, cited by the Confederation of British Industry, must be compared to the costs of road pricing which, in the case of commercial concerns, will inevitably be passed on to their customers and, in turn, their consumers. My guess is the road pricing will certainly be no cheaper – even if, as seems likely, its responsibility is hoisted on to the private sector.

It is true that the era in which traffic growth can be accommodated by conventional means is coming to an end. Roads in Britain are fast becoming a finite resource. A more imaginative use of the resource, therefore, is surely the key.

Lynx has actively encouraged its customers to adopt night-time deliveries. Although such a measure has been slow to take root, we are hoping it will gradually gain acceptance – particularly in the retailing and manufacturing sectors, where margins are equally under pressure.

Widespread acceptance of such initiatives is in the greater interests of the UK economy. Forcing commercial concerns off the roads is not.

Martin E. Thompson,
Lynx,
Fountain House,
Great Cornbow,
Halesowen,
West Midlands

System has potential to transform the way we live

From Mr Richard Graham.

Sir, In his article on road congestion, Richard Tomkins implies that restraining road usage is necessary just because paralysis is imminent. The real problem with car ownership is that nobody wants to apply economic principles to it.

There is a glut of road usage in some parts of the system and there soon will be in others. Economics teaches us that therefore the price is too low.

The pricing system for all transport is fundamentally tilted in favour of road transport in general and private road transport in particular. The only way to restore the situation is to charge a realistic price for the roads at the point of use. Modern electronic road pricing does just that.

The first move should be on all toll crossings. Every user fitting such a device would not only get through the Dartford tunnel quicker, there could also be a discount.

Next it could be used to collect car-park charges both off and on street. It could also be used to pay parking fines – even towing charges. The idea would be to find lots of uses giving the motorist the benefit of convenience and saved time before extending pricing. It could next be used on crowded motorways and in congested cities.

All this would develop confidence in the system and gain wide acceptance. Not spending massive sums on car ownership would release immense funds for other uses.

The benefits in time-saving, safety and environment would be felt throughout society. Electronic road pricing has the potential to transform the way we live. Its implementation is only a matter of time.

Richard Graham,
26 Chipstead Street, SW6

Trains offer scant hope for a non-car economy

From Mr Andrew Braid.

Sir, I felt I had to reply to Richard Tomkins' article on the car economy, and had ample time to compose this letter while sitting for 50 minutes on the stationary 7.23 train to London.

I agree entirely that traffic in cities is becoming impossible but pricing people off the road can never work without a widely available and reliable alternative. As in other cities this will have to be the bus and particularly the train system.

Unlike other European countries, Britain is the only one where people do *not* catch the train to meet a fixed appointment time, and unless attitudes are changed by a far better service – which will necessitate public investment in the network – then there is little future for a non-car economy. I for one am about to join the drivers to London, having finally given up on British Rail's incompetence after a 90-minute delay getting to London and 20 minutes returning to Manchester, although I much prefer travelling by rail.

Andrew Braid,
Co-operative Insurance Society,
Manchester

An 'evil' that restores the right balance

From Mr Andrea Casalotti.

Sir, I think it is perverse for you to say that road-pricing is the least of all evils. As you rightly point out, at present motorists pay only a fraction of the cost that society incurs because of their action. Road-pricing would help restore the rightful balance. It is therefore a good thing.

Following your logic, would the 55p price of the Financial Times also be an evil?

Andrea Casalotti,
8 Elvaston Place,
London, SW7

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

هكذا من الاصل

ARTS

Ann Murray

WIGMORE HALL

There are few songs as difficult to sing as Schubert's deceptively simple "Nacht und Träume".

The technical difficulty of keeping the piece in tune, let alone sustaining the proper feeling of rapturous calm, means that it is one of the least frequently heard of the composer's favourite songs, not often encountered in live recitals and certainly not at the beginning of the evening.

Yet that is where Ann Murray placed it to start her recital on Friday.

She opened the evening with a quite exemplary piece of singing. This voice, which is pushing up into the reaches of the soprano territory, can sometimes sound uncomfortably stretched if it is asked to provide large-scale singing beyond what nature may have intended for it; but the basic quality of its simple and pure mezzo beauty has never been lost.

The Schubert group, sung without undue artfulness or exaggeration, made a promising start. "Der Zwerg", of which Miss Murray gives such a telling performance in her contribution to Hyperion's complete Schubert song series on disc, also showed that she is well able to use music to create an atmosphere, with a palpable sense of impending danger at the start.

By and large, though, it is not the dramatic or intense songs that she does best. Berlioz's "Elegié en prose" sounded not so much exalted at its climax as stressful, the voice hard pressed and losing something of its quality.

"Der Soldat" and "Der Spielmann", two of an attractive group of Schumann's Hans Christian Andersen settings, were thoughtfully narrated, but without the ability to get the crux of the story to hit home.

Simple is best with this singer. Strauss's three Ophelia songs, so often since Schwarzkopf the occasion for neurotic over-emoting, were twice as effective in Murray's restrained performances, the half-crazed eccentricities of the music delightfully touched in both by the singer and Graham Johnson, as imaginative as ever at the piano. The final song, Samuel Barber's "Nuvoletta", was a marvel of wistful understatement.

What a good idea, too, to give us first Berlioz's songs from *Irlande* and then Barber's settings of James Joyce: an ideal programme for the most successful of today's Irish singers.

Richard Fairman

English National Ballet's spring tour

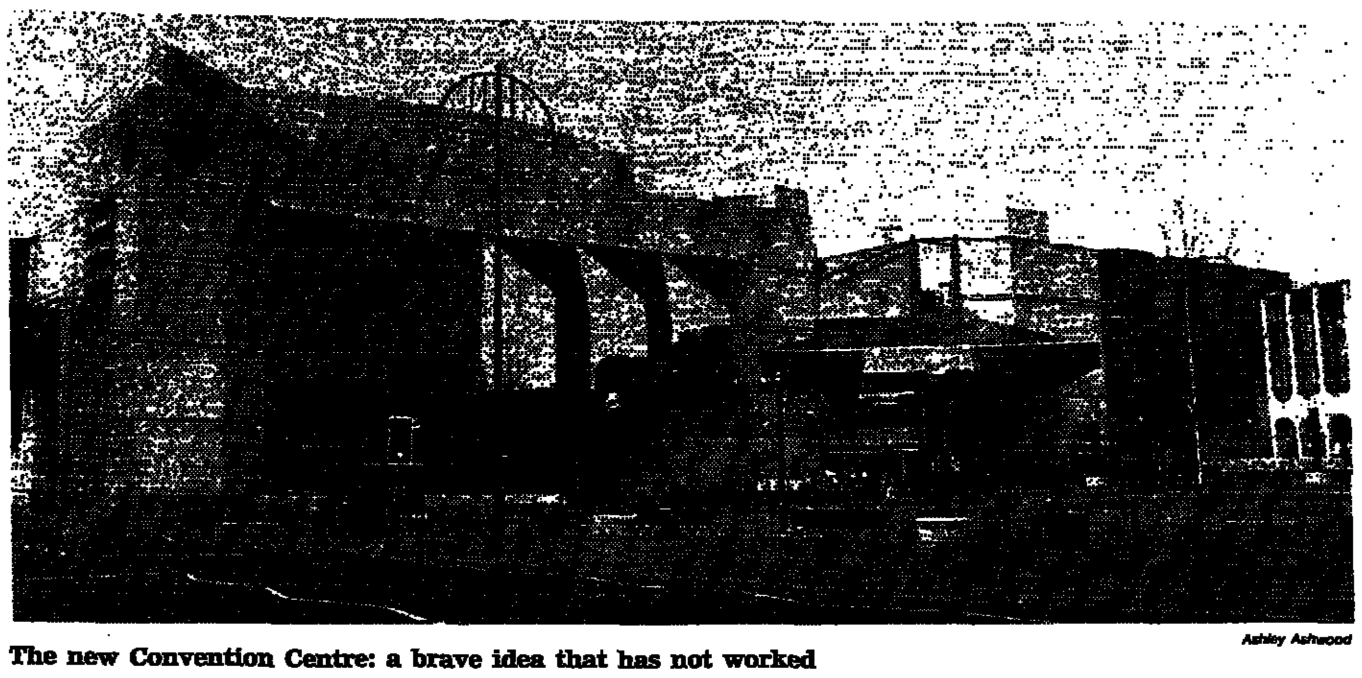
The English National Ballet's spring tour, starting in Southampton tomorrow, includes John Cranko's full-length ballet *The Taming of the Shrew* and a programme of one-act ballets: Fokine's *Les Sylphides* and *Schéhérazade*; and Christopher Bruce's *Swansong*.

After Southampton the company moves on to Bristol, Birmingham, Manchester and Oxford.

Promotion for Real

Ivan Nagy, artistic director of English National Ballet, has promoted Maria Teresa del Real to principal artist.

Her roles with the company include Swanilda in *Coppélia*, Tanya in *The Nutcracker*, Olga in *Onegin* and Zobeide in *Schéhérazade*.



Ashley Ashwood

The new Convention Centre: a brave idea that has not worked

ARCHITECTURE

There is no 'frozen music' here

Colin Amery is disappointed with Birmingham's new Civic Centre

The sounds of a solitary harp filled the empty hall – glancing, plangent notes almost other worldly in their purity. It was a moment of musical truth. The first of many days of trials and testing moments for the new Birmingham Symphony Hall where the first public concert will be held tonight. I leave it to my much more musical colleagues to judge the success of the acoustics of this hall; my concern is with the what the eye beholds.

Was it Goethe who described architecture as "frozen music"? Whoever it was would have found it difficult to decide which score lies behind the architecture of present day Birmingham.

There is no doubt about the city's wish to try and undo much of the terrible damage inflicted upon the centre of Birmingham by the road engineers, architects and planners of the 1960s. The focus of its civic plans is the new Centenary Square which has grown out of a townscape study of the Broad Street area between Paradise Circus and Fiveways. It is here that you will find the new Convention Centre, Symphony Hall, and hotel and here you can witness the brave efforts to establish a new kind of civic place.

What you see today, writ terrifyingly large, is the complete failure to design any new civic buildings of real architectural quality. The new Convention Centre is without the serious virtues of proportion, elegance or beauty. Compare it with the planned new civic buildings of Barcelona or Paris and Birmingham's efforts take it down to the level of the new Bucharest. It is a tragic tale because the city's intentions are brave and intelligent. The idea of a great series of halls for international gatherings and an acoustically promising new concert hall for a major city orchestra must be applauded. The blame for the unsatisfactory nature of the new buildings lies squarely with the architects.

They have failed on a number of counts. No visible attempt has been made to relate the volumes of the halls to the public circulation spaces. The asymmetry of the bulging glass wall of the entrance facade and the crude projecting bright blue steelwork are ominous external signs of what is to come inside. It must have seemed a good idea to have an internal "street" allowing the public to wander through the entire building to reach the canal and the now postponed commercial development; but the atmosphere in this street is horribly similar to the interior of Heathrow's terminal four. Massively over-engineered visible structure and ducts hover beneath the glass roof; you expect all that structure to be supporting something enormous, but it is just grotesquely over-scaled. The steep staircases create awkward angular spaces which are often rather desperately filled with plants.

There was a limited architectural selection process back in 1984 when the Percy Thomas Partnership and Renton Howard Wood Levin Partnership were selected, who then collaborated as the Convention Centre Partnership. Other architects considered and rejected included Richard Rogers and Skidmore Owings and Merrill. The architects' brief was to design 11 halls including a 2,200 seat concert hall and a 1,500 seat conference auditorium. Their townscape study sensibly suggested the lowering of the main traffic route of Queensway and the creation of a pedestrian link from the city centre to the new square. Flexibility was the watchword of the brief – which can often mean that the client does not really know what he wants. In this case almost all the halls can be used for a variety of uses and so they are all extensively, and expensively, equipped for almost everything.

The local authority decided to adopt the "per cent for art" plan for the convention centre, and it is the artists who have provided most of the redeeming features of the scheme. The brick patterned pavement of Centenary Square and its ironwork has all been beautifully designed by Tess Jaray. Seen from above it is like a wonderful carpet, and I liked the heavy weight of the railings and lamp standards. An entertaining fountain by Tom Lomax sits very merrily in the square, and there is a huge figurative sculpture to come from the artist Raymond Mason.

Inside the foyer area of the concert hall the artist Deanna Petherbridge has been commissioned to paint a large ziggurat shaped mural on the foyer side of the curved rear walls of the concert hall. This "architectural fantasy" in oil paint has been skilfully designed to fill the walls on four levels. On each level the actual space is relatively low and the artist's intention is to create a whole composition that will be seen, particularly when lit at night, from the square outside. This curved space leads into the bars and tragically there are horrible blue troughs of plants, with chrome stands and tops to take glasses, to separate the drinkers from the non drinkers. This is apparently the wish of the licensing authority – bureaucracy comes before art. These ghastly erections will effectively obscure the mural and I can quite understand why the artist is disinclined to finish her magnum opus if it is to be rendered scarcely visible.

The interior of the concert hall is what most people are probably going to enjoy. Its form owes a great deal to the acoustical model designed by Russell Johnson of Artec Consultants Incorporated (New York). The shoebox form of the hall and the tiers of balconies are a great contrast to many of the fan-shaped wide auditoria that have been built recently.

The thick walls, resonating chambers, and a moveable canopy over the orchestra will make the hall capable of an unusual mixture of clarity and warmth of sound. The finishes are hard – polished wood and waxed plaster with a glitter of chrome and polished granite. The decorative ideas behind the relentless horizontal lines and the jazzy motifs of doors and columns seem to come straight from the days of the deco cinema. There is a Wurlitzer quality to the room – not relieved by the unattractively asymmetrical design of the organ case and pipes.

It is awful to be so disappointed by the sheer lack of architectural distinction in this major public building. An extraordinary opportunity in Birmingham has produced an unoriginal, styleless and *deeply ordinary solution.*

Asylmuratova

COVENT GARDEN

On Friday night, Altynai Asylmuratova made her debut in *A Month in the Country*. From our first sight of this Natalya Petrovna, leaning back on the chaise longue, divinely beautiful and fatally bored, the ballet was hers. There was such psychic concentration and such discreet power to her movement, that the course of this summer tragedy was inevitable, and inevitably touching.

What Asylmuratova brings to ballet is grandeur of scale. Not that she distorts or exaggerates her roles, but the force of her presence and of her beauty, the broad horizons of her Kirov schooling, so increase the choreography's impact that her characterisations gain an extreme intensity. Yet nothing is disproportionate. Ashton's dances for Natalya, often a filigree of quick steps, are as lightly done as one could wish, and with what native authority does Asylmuratova seize upon those Polish dance attitudes with which Ashton responds to Chopin – the proud epaulément and bold gestures have a fiery rhythm and grace. Musical and physical nuance are matched with no less sensitive playing of the drama. The flare of temper when she finds her ward, Vera, in Belyayev's arms; Natalya's own uncertainties as she yields to him, are done, like everything else, with a complete naturalness and a complete understanding of Ashtonian manner. She speaks his language with lovely ease - both in the brief dialogues with Rakitin and her husband, and in the final eddying surrender to Belyayev.

The incandescence of Asylmuratova's style, and of her interpretation, persuades us of the seriousness of this summer flirtation. She re-creates Turgenyev's world. Her magic also invites a vivid response from her colleagues – Derek Rencher's Rakitin seems even more devoted, Fiona Brockway's Vera more pathetic. Bruce Sansom repeats his decently youthful view of Belyayev – but one wonders what *this* Natalya sees in him.

Friday night's *Requiem*, ending a fine triple bill, benefited from Viviana Durante's innocence in the *Pie Jesu*, and from Michael Nunn's simplicity in the *Offertoire*. MacMillan's choreography is as consolatory as Fauré's music, and as potent.

Clement Crisp

The Winter's Tale

ALDWYCH THEATRE

After commenting unfavourably earlier this week on the English Shakespeare Company's transformation of *Coriolanus* to eastern Europe, it is pleasant to be able to report that the same company has come up with a thoroughly enjoyable production of *The Winter's Tale*.

It is not until at least half way through that a deliberate act of perversity takes place. Antigonus, having deposited the infant Perdita in the wilderness, does not, as in the Shakespeare text, "exit pursued by a bear". Instead he is killed by Leontes, who makes an unscripted appearance.

Not that the bear episode is the best of Shakespeare's inventions; it is odd to replace it with the killing by a king who is already a penitent after realising he has falsely accused his wife. This, however, is director Michael Bognadov's only aberration. For the rest he sticks to the play, which is precisely its title: a very good winter's tale that ends in spring.

Seeing the two productions within a day or two of each provides a chance to assess the strengths of the company. It is strong enough not to need wild ideas to show off. Michael Pennington is a far better Leontes than he is Coriolanus. He speaks the verse clearly and altogether looks more at home in a dinner jacket than dirty jeans. Some of this style might yet be put into his Coriolanus.

One of the best-looking players in *Coriolanus* was Lynn Farleigh as Virgilia. As "my gracious silence", she had very little to say. As Hermione in *The Winter's Tale*, she looks good and speaks well. And as we noticed with her Virgilia, she is stunning at standing still. The final scene where her statue comes to life is played with immense presence because the whole cast behaves with discipline.

The piece inevitably and deliberately falls into two parts: the first where Leontes is consumed with jealousy, the second where the rustics begin to take over. Part one is played with the intensity that one would expect from this company, though not without subtlety. Leontes, for instance, gives some facial indication of his suspicions even before he voices them. Part two brings out some unsuspected comic depths in the playing.

Autolycus (James Hayes) is an unusually elderly Irishman. When Polixenes and Camillo put on their disguises, they choose some wonderful old tweeds and plus-fours. It is hard to recognise this Polixenes as Andrew Jarvis who plays Aufidius in *Coriolanus*. Clearly he has more talents than one realised.

Robert Demeger stands out in both productions as one of the tribunes in *Coriolanus* and Camillo in *The Winter's Tale*. He could probably play most of the other parts as well.

Malcolm Rutherford

Brahms piano trios

ROYAL FESTIVAL HALL

Brahms wrote five altogether, but two include a horn or clarinet. The other three employ the canonical violin and cello, and they add up to a solid programme, not least because they range so widely over the composer's career. (In fact the early B major Trio of 1854, op 8, was extensively re-composed some years after the far later Second and Third Trios had been published.) And to deliver the programme, who better than Vladimir Ashkenazy, Itzhak Perlman and Lynn Harrell? – all distinguished Brahms players, and keen collaborators as well as notable concert soloists. On Saturday, however, the Festival Hall seemed the wrong place for them.

The hall was crowded; but human bodies soak up sound. Though one can hardly speak of "the" Festival Hall acoustics, because they depend upon concert-by-concert adjustments to a great many concealed amplifiers, on Saturday the acoustics granted to the Ashkenazy team were dry and severely distancing. One wished the whole affair transplanted to the Wigmore Hall.

In the op 87 Trio at the start, the strings' bald unison declamation – a device much used by piano-trio composers for forceful effect – seemed frail and remote. Then the piano-entry, which should be a rich revelation of the harmonic context, seemed just as wan. It was understandable that the ever-tactful Ashkenazy should choose to keep his piano lid half-closed (Perlman's violin is invincibly sweet, not aggressive, and Harrell's *forte* is introspective, quasi-vocal musing), but it didn't flatter Brahms's robustly impassioned piano-parts.

The pianist allowed himself a few ringing outbursts (much of a muchness, actually, in whichever Trio) at sound, unarguable places. Otherwise he was content to supply sympathetic accompaniment to the strings well in front of him, who looked deeply into each other's eyes and played like a committed duo. The net effect was of performances excellently prepared en gros et en détail but probably much-recycled and by now polished to routine. At least there were properly fiery moments in the heroic C minor Trio, op 101; and in the B major work, which was their anti-chronological conclusion, there was enough vital imagination in the rapt Adagio and the Finale to let us conjecture how they might have sounded close-up.

Must this repertoire go the way of the new maxi-audience operatic ventures – with similar musical losses? Why should subtle musicians find themselves delivering serious, narrow-gauge Brahms to a huge audience in the wrong kind of place? The gilt-embossed front cover of the programme-book said it all: "celebrity *chamber* recital" (italics mine) – in the Festival Hall! If there *are* big concert halls that can offer friendly accommodation to chamber music, this one is not among them, except when performers have a Russian knack for enlarging chamber-gestures to an operatic scale. From a distance, I admired these performances sincerely; but I have heard much more exciting accounts of each Trio by less famous virtuosi – in halls of the right size.

David Murray

Days of Hope

HAMPSTEAD THEATRE

Although I doubt whether Howard Goodall's new musical will make it to the top, it is worth going to see if only to ponder on that narrow line between success and near miss. It is not that the subject matter is wrong, though it is slightly peculiar and nowadays in danger of seeming out-dated.

Days of Hope revolves round a young Englishman who goes to Spain to fight for the anti-Franco forces during the Spanish civil war, and takes his bride and part of her family back to his home town of Scarborough when Franco is victorious. Apart from a brief prologue, all the action takes place in Spain. The significance of Scarborough is that it used to be a regular base for the Labour Party conference. I rather liked the juxtaposition. It is not, on the face of it, a more unpromising subject for a musical than, say, post-Peron Argentina.

The difficulties lie elsewhere. A good musical is unmistakeably a musical, not just a play with songs. *Days of Hope* falls between stools.

Half of it is a rather straight play, wandering between the melodramatic and the corny, written by Renata Allen. The other half includes some very good numbers, but the dialogue seldom leads naturally into the singing.

Part of the fault in the Hampstead production may stem from the direction by John Retallack of the Oxford Stage Company.

The Hampstead Theatre has a small stage, but not so small as to dictate that practically every time a musical number begins the participants have to get into a horizontal line. Retallack could learn something about deployment of resources by looking at the versatility of some of the productions at the Gate Theatre in Notting Hill, which has an even smaller stage.

Having his characters stand in line only emphasises the somewhat stilted nature of the piece.

The small size of the place detracts in another way. The orchestra consists only of a piano and two guitars, shoved off at the side. It is interesting to reflect how a try-out production of *Evita* would have looked in such circumstances. For the most striking point about *Days of Hope* is that some of the music and lyrics, both written by Goodall, are pretty good. It is not inconceivable that, given better staging and a fuller instrumental back-up, they would rank alongside those of established successes.

Take *Viva la Muerte*, for example: this is a very powerful revolutionary song. So are some of the others, including the one which gives its title to the musical. They have catchy tunes and not bad lyrics. As we know from the rain on the plain, there are plenty of words to rhyme with Spain.

Somewhere there is a better musical lurking to get out than the one in the Hampstead production.

Even with its imperfections, I could think of worse ways to spend an evening in the theatre.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Jan Krenz conducts Royal Flanders Philharmonic Orchestra in Tchaikovsky's Sixth Symphony, with Dmitri Alexeev soloist in Rakhmaninov's Second Piano Concerto. Tomorrow: Haitink conducts Dresden Staatskapelle. Wed, Thurs, Fri, Sat: Chailly conducts Royal Concertgebouw Orchestra (6718 345)

Muziektheater 20.00 Hartmut Haenchen conducts Johannes Schaaf's production of Die Fledermaus, also Wed and Sat. Tomorrow: Nina Wiener Dance Company. Thurs, Fri and Sun: Nederlands Dans Theater (6255 455)

■ BERLIN

DANCE

Deutsche Oper 19.30 Ballets by Bejart, Balanchine and Roland Petit. Wed, Fri and Sun: Béjart's Ring um den Ring (3410 249)

MUSIC

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Don Giovanni with Roger Smeets in title role, also Wed. Thurs: Orfeo. Fri: Cosi fan tutte. Sat: Der Freischütz. Sun: Entführung (2292 555)

THEATRE

This week's repertory includes The Good Person of Sezchuan, Baal and The Caucasian Chalk Circle at the Berliner Ensemble (2827 712); Strindberg's Dance of Death, Ibsen's Ghosts and John Gabriel Borkman at the Deutsches Theater (2871 225); George Tabori's Mein Kampf and T.S. Eliot's The Cocktail Party at the Maxim Gorki Theater (2082 748), and The Comedy of Errors and Schiller's The Robbers at the Volksbühne (2082 748); in the western part of the city the Schaubühne (890023) is presenting Peter Stein's production of The Cherry Orchard (tomorrow and Thurs only)

■ FRANKFURT

Alte Oper 20.00 Midori plays Sibelius' Violin Concerto with Frankfurt Opera Orchestra conducted by Emil Tchakarov. Wed: recital by Claudio Arrau. Thurs: Celibidache conducts Munich Philharmonic. Sat: recital by Barbara Hendricks. Sun: gospel and spiritual evening (1340 400)

Opernhaus 20.00 Slingerland, ballet by William Forsythe with music by Gavin Bryars and Thom Willems, also Sat. Wed: Die Zauberflote. Fri and Sun: Les contes d'Hoffmann (236061)

This week's repertory includes Waiting for Godot at the Bockenheimer Depot and Molière's Georges Dandin at the Kammerspiel (236061)

■ LONDON

MUSIC

Royal Festival Hall 19.30 Bernard Haitink conducts Dresden Staatskapelle in Schubert's Third Symphony and Bruckner's Seventh. Tomorrow and Thurs: Dohnanyi conducts LPO. Wed: Rozhdestvensky conducts music by Firsova, Schnittke and Smirnov (928 8800)

Queen Elizabeth Hall 19.45 Yuri Bashmet is conductor and soloist with Moscow Soloists in programme of music by Tchaikovsky, Schnittke, Lovabov and Shostakovich. Tomorrow: City of London Sinfonia plays Rossini, Mozart and Schubert. Thurs: Rodney Friend Trio. Fri: music of America. Sun: John Lill recital (928 8800)

Barbican Centre 19.45 Yehudi Menuhin presides over gala concert of London International String Quartet Competition, including premiere of new quartet by Andrzej Panufnik. Wed: Francesco d'Avalos conducts the Philharmonia. Sat: Harnoncourt conducts Chamber Orchestra of Europe (638 8891)

THEATRE

This week's shows include Caryl Churchill's play Top Girls, in which six women from history celebrate their achievements with a top woman executive (Royal Court), Terry Hands' RSC production of Love's Labour Lost (Barbican), and Alan Bennett's stage adaptation of The Wind in the Willows, directed by Nicholas Hytner (National). Telephone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Teatro Lirico La Zarzuela 20.00 Antoni Ros Marba conducts Pier Luigi Pizzi's production of Handel's Rinaldo, with Teresa Berganza. Also Fri (429 8225)

■ MILAN

Teatro alla Scala 20.00 Shlomo Mintz plays Paganini's 24 Capricci for solo violin. Tomorrow, Wed, Fri and Sat: Pergolesi's Lo frate 'nnamorato with cast led by Cecilia Gasdia (7200 3744)

■ MUNICH

Staatsoper 19.00 Romeo and Juliet choreographed by John Cranko, music by Prokofiev, also tomorrow. Wed and Sat: Werther with Baltsa and Araiza. Thurs: Tchaikovsky's Maid of Orleans. Fri: Onegin choreographed by Cranko (221316)

Philharmonie 20.00 Alexander Dmitriev conducts Leningrad Symphony Orchestra in music by Borodin and Dvorak, with Oleg Kagan soloist in Tchaikovsky's Violin Concerto. Tomorrow: Justus Frantz plays Mozart piano concertos. Wed: Ivo Pogorelich. Sat: Muhai Tang conducts Prague Symphony Orchestra (48098 614)

■ NEW YORK

MUSIC

Carnegie Hall 20.00 Georg Solti conducts Chicago Symphony Orchestra in Beethoven's Eroica Symphony and Tippett's new work Byzantium, also Thurs. Tomorrow and Fri: Solti conducts concert performance of Otello with Luciano Pavarotti in title role and Kiri te Kanawa as Desdemona (247 7800)

Metropolitan Opera 20.00 James Levine conducts Luisa Miller with Aprile Millo in title role, also Fri. Tomorrow: La Clemenza di Tito. Wed and Sat: Tosca. Thurs: I Puritani (362 6000)

THEATRE

This week's shows include Andrew Lloyd Webber's musical Cats, with a first-rate American cast directed by Trevor Nunn (Winter Garden), Nunsense, Dan Goggin's musical adventure about five nuns who mount a talent show (Douglas Fairbanks), Grand Hotel: The Musical, a well-cast production directed and choreographed by Tommy Tune (Martin Beck) and Six Degrees of Separation, John Guare's play about a mugging victim who seeks refuge at an elegant Manhattan dinner party (Vivian Beaumont). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC

Opéra Bastille 19.30 Philippe Auguin conducts Robert Carsen's production of Manon Lescaut, with Barbara Daniels in title role and Vasile Moldoveanu as Des Grieux. Runs till May 4, with next performances on Wed and Fri (4001 1616)

Théâtre des Champs-Elysées 20.30 Sandor Vegh conducts Salzburg Mozarteum Orchestra in all-Mozart programme. Thurs: Bernhard Klee conducts Orchestre National de France. Fri: Haitink conducts Dresden Staatskapelle (4720 3637)

TMP-Châtelet 19.00 Laurent Korcia, winner of the 1989 Zino Francescatti violin competition, continues the Chatelet's series of recitals featuring international prizewinners. Wed: cellist Torleif Thedeen, winner of Casals and Rostropovich competitions. Thurs: cellist Mario Brunello, Tchaikovsky prizewinner. Fri: Rattle conducts the CBSO (4028 2840)

THEATRE

This week's repertory includes a new production at the Odeon-Théâtre de l'Europe of Jean Genet's The Balcony (4325 8092); at the Comédie Française, Moliere's Le Malade imaginaire, Strindberg's The Father and Beaumarchais' Le Barbier de Seville (4366 4360); and Feydeau's one-act farce, On purge Bebé, at the Théâtre des Bouffes du Nord (4607 3450)

■ VIENNA

Staatsoper 18.30 Vaclav Neumann conducts Jenufa, with Gabriela Benackova in title role and Leonie Rysanek as Kabanicha. Tomorrow: ballet triple bill. Wed: Ariadne auf Naxos. Thurs: Cav and Pag. Fri: Der Rosenkavalier. Sat: new production of Schreker's Der ferne Klang. Sun: Salome (51444 2960)

Musikverein 19.30 Neville Marriner conducts Academy of St Martin-in-the-Fields in music by Berlioz, Stravinsky and Nicholas Maw, with Andrei Gavrilov soloist in Ravel's Left Hand Concerto. Tomorrow: Russian programme with Vienna Kammerphilharmonie. Wed: piano recital by Tzimon Barto. Thurs: piano recital by Grigori Sokolov. Fri: Ulf Schirmer conducts Janacek and Dvorak (505 8190)

Konzerthaus 19.30 Haydn Trio plays piano trios by Dvorak and Smetana. Wed and Thurs: Georges Pretre conducts Dvorak's Stabat Mater. (7124 6860)

Akademietheater 18.00 George Tabori's production of Othello, also tomorrow. Fri: Pirandello's Henry IV (51444 2218)

European Cable and Satellite Business TV

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MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2130 & 2320 (Wed only) and 0830 (Thurs only) Financial Times Business Weekly

SATURDAY

CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

CNN
0710-0740 Moneyweek
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NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Monday April 15 1991

Europe's real challenge

HEADS of state are descending on London by the bus-load today for the inauguration of the European Bank for Reconstruction and Development. More than a year after the idea took firm shape, it is still not clear whether the institution they are coming to cheer is one that will make a useful, if modest, contribution to the redevelopment of central and eastern Europe – or whether it will prove to be a diversion.

Look on the positive side first. The bank will be deploying the bulk of its 10bn Ecu capital in the private sector – acting as a catalyst for other investors, helping to put entrepreneurial zip into small business and to create a badly-needed service sector in economies which tend to be dominated by old line manufacturing.

The job will be tricky, given that private sector lenders from the west are already trawling the region in the search for profitable opportunities. But the EBRD could turn into a centre of specialist expertise, collecting under one roof the wide range of skills that will be needed to tackle the immense task in hand.

Management and technological assistance are just as badly needed as financial muscle, so the new bank's limited capital resources need not be a great handicap. And its private sector bias will help to distinguish its role from other institutions such as the World Bank, which already has very big infrastructure programmes under way. At the same time, the EBRD is making sensible noises about the need to proceed with caution, and to preserve at all costs a top credit rating.

Political mandate

One unique, and potentially valuable, feature of the bank is its political mandate. Its customers must be committed to promoting democracy and market economies. Again, it is easy to imagine all kinds of complications, but an institution of this kind could find it easier to make its views felt than would be possible in dealings at government level. The EBRD will also have an important lobbying role in the other direction, forcing the European Community and governments to turn their rhetoric into practical measures of assistance.

But this is where the worries start. There is a risk that the EBRD has too grand a vision of its future role in Europe. And there is an even bigger risk that European governments will seize on this as an excuse to avoid the tougher and more important policy initiatives that are urgently required.

Specific initiatives

In an interview on page 30 of today's issue, the bank's dynamic president, Mr Jacques Attali, talks at length about his ideas. He sees the bank as the first pan-European institution, and cites the precedent of the European Coal and Steel Community as an example of how relatively specific initiatives can be a means to achieving much bigger political goals.

Only time will tell what this actually means, and whether such visions can be reconciled with the practical and sometimes tedious business of helping a widget plant to improve its quality control, or a company of software designers to find the right markets. But at the moment, he sometimes sounds as though he cannot see the trees for the wood.

Meanwhile, European governments face much bigger challenges than those which can be tackled by the EBRD. Agriculture, textiles and steel account for more than 50 per cent of Poland's exports to the EC. Unless it can have free access to the markets of the west, it has little chance of developing a sound market economy.

At the moment, the omens are not good. Far from lowering its barriers to the east, the Community is actually dumping agricultural commodities, so undermining their comparative advantage. For their part, some east Europeans are not moving fast enough to develop the legislative structures for attracting foreign investment.

So the heads of state gathered in London should spend the first five minutes of the day toasting the birth of an energetic and potentially useful institution. The rest of the time should be given over to a much more difficult and important debate. There is a unique opportunity to reshape continental Europe: it will not recur.

Mr Major on trial

THE jury is still out on Mr John Major. Not yet six months into his job, the new prime minister has yet to demonstrate that he is up to it. This does not mean the verdict, when it comes, will be adverse. For the evidence is more in his favour than against. He has revived the fortunes of the Conservative party simply by not being Mrs Margaret Thatcher. Those who point to the difficulties facing the Tories today sometimes forget how much more intractable they seemed half a year ago. A party that was politically trapped by its own ideology is now busily recapturing the centre-ground, which is where the next election will be fought.

Not being his predecessor has also helped helped Mr Major to transform Britain's relations with the European Community. No longer the exasperating outsider, it is now becoming one of the respected leading players. This is a testament both to his perception of Britain's true place in the EC and his diplomatic skills in winning the understanding of president François Mitterrand and Chancellor Helmut Kohl. His proposal a week ago that the EC should take part in an initiative in promoting a safe haven for the Kurds may have been rough at the edges, but its general thrust was positively European. Mr Major was an excellent leader during the Gulf war; if he appeared at the time to be marching in tune with Washington he has since shown a canny awareness of the need to maintain Britain's EC position while yet maintaining the transatlantic link.

Right-wing sniping

Some of the right-wing sniping against him is partly a consequence of this European vision; some is a consequence of his not being Mrs Thatcher. The leader of the Young Conservatives and the 22-year-old secretary of the Bruges Group would not normally attract much attention for their bilious remarks but they have reflected what some of their elders, who should know better, have been saying in private. Mrs Thatcher herself has not helped, particularly if her own reported private remarks in New York, that Mr Major's government is the "B-Team", are an indication of her general attitude.

There are also divisions on domestic policy. Mr Norman Lamont's remarks to the Adam Smith Institute on Friday night sounded like a warning shot by the chancellor against the perceived "wet" inclinations of the party chairman, Mr Chris Patten. If so it was a needless intervention. Those members of the government who understand the term "social market economy" are agreed that in British conditions it merely means allowing capitalism to create wealth, some of which is spent on public services.

Seeking consensus

Neither Mr Lamont nor Mr Patten, both of whom understand the term very well, would advocate an extension to the German interpretation, which involves seeking consensus between business and the trade unions. There is room for debate over how much should be spent on health, education and the like. Mr Major's job is to settle that one.

It is also his job to complete the dismantling of the poll tax, and to show courage in so doing. The trick has been to win public favour by abandoning the community charge while maintaining party unity, which requires a continued element of personal taxation. So far Mr Major has neither united the party nor won public favour, in spite of cutting the bills to be paid by transferring the cost to VAT. It is his performance on this, the trickiest of the challenges, that has caused both friend and foe to call him a ditherer. The title will stick if he is not soon shown to be decisive.

That said, Mr Major is not devoid of good luck. The recession appears to have bottomed out. Movements in the German and the US economies favour a reduction in British interest rates without threatening sterling's position within the exchange rate mechanism. Economic optimism is returning. True, the Labour party is in its best shape for 20 years. It presents a formidable challenge. But the prime minister stands a fair chance of winning the election on his own policies, in his own way. If he is bold, he will do so.

David Marsh outlines the difficulties of transplanting positive features of Germany's 'social market economy' to other societies

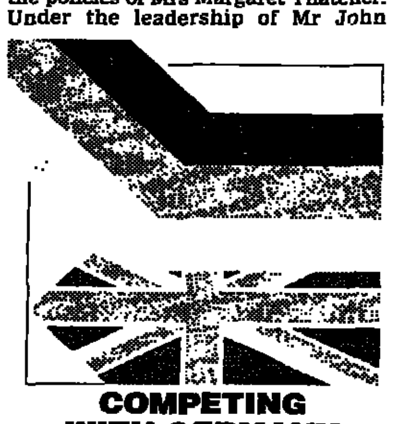
A hard act for Britain to follow

The Leuna works in east Germany offers some instructive messages for foreign observers wondering how Germany's consensus-based approach to economic and social management is facing up to the challenge of unification.

Last year it was thought that the vast, outdated complex, near Leipzig, which marks its 75th anniversary next month, would eventually be dismantled and closed under the murderous pressure of western competition. Now, although the original 27,000-strong workforce will be cut by half, the German government is spending hundreds of millions of D-Marks to keep large sections of the plant functioning.

President Richard von Weizsäcker, who recently toured the Leuna works, last week hailed "exemplary" co-operation on the site "between men and women, east and west, management and unions". Mr Wolfgang Schultze, vice-chairman of the German chemical workers' union IG Chimie, who is deputy chairman of Leuna's new supervisory board, says boldly that the company's resurrection will demonstrate the success of the "German model".

For Britain, the principles at the heart of the German "social market economy" – costly but co-operative relations between both sides of industry – represented the antithesis of the policies of Mrs Margaret Thatcher. Under the leadership of Mr John



COMPETING WITH GERMANY

Major, official British scepticism to the German system has given way to outright admiration. Last month, in a speech in Bonn, Mr Major went out of his way to praise Germany's "social solidarity" in the organisation of the economy. Although Britain has by no means ditched Thatcherite belief in enterprise and self-help, the Major government believes that German-style consensus can improve rather than weaken economic efficiency.

Britain's change of heart comes at a time when there is increasing pressure on the German system. Amid rising unease over large-scale unemployment east of the Elbe, it is still far from clear whether west Germany's "social market economy" can put down roots in the former communist-run east. There are similar difficulties in transferring the "German model" to the UK. Tied to Germany through the D-Mark link in the European Monetary System, the UK now faces the challenge of importing the positive parts of the German consensus system, while rejecting those elements that are plainly wasteful or inappropriate.

Wholesale introduction of expensive and bureaucratic German-style consensus into land unprepared for it, or unable to pay for it, can have disastrous consequences – as east Germany is finding out. Total west German social expenditure last year came to roughly one-third of gross national product. "We are a rich society, and we are willing to pay a certain price for social peace," as Mr Karl Otto Pöhl, president of the Bundesbank, puts it.

The extent to which methods of running societies can be transferred across national borders is also questionable. Germany's consensus system is a product of Germany's own specific history and culture. The traditional charitable role of the Roman Catholic church, or Bismarck's social legislation of the 1880s, leaves deep imprints. Industry-wide collective bargaining between employers and workers' representatives has its roots in the wage negotiating system set up in 1918 to help bridge social fissures left by defeat in the First World War.

Strong checks and balances in German decision-making are partly a product of post-war federalism. Economic power has been deliberately decentralised. One reason for firm German advocacy of an independent central bank is the memory of Third Reich totalitarianism, when the Reichsbank was subjugated to Adolf Hitler. It is uncertain how many German organisational precepts can be transferred to Britain. In view of Britain's lack of experience in running an autonomous central bank, if the Bank of England were made independent, "it could upset the markets", comments Professor Forrest Capie of the City University Business School.

Another German trait which may prove difficult to export to Britain is "long-termism" in relationships between companies and banks and other institutional shareholders. Shareholders' willingness to maintain their corporate links over long periods, paying less attention to short-term performance, has its origins in the final decades of the 19th century, when many of Germany's largest concerns were founded.

Shareholders not only are less demanding in their criteria for return on investment: German company legislation also gives them fewer rights to check and control management than their Anglo-Saxon equivalents. One result is that west Germany is estimated to have only 3.5m individual shareholders (7 per cent of the adult population), against 12m (24 per cent) in Britain. (The UK figure is considerably boosted by the large number of small and inactive shareholders who acquired privatisation stocks during the 1980s.)

German business leaders freely proclaim the virtues of the German approach – especially now that the image of British and US stock markets has been dented by too many free-wheeling takeovers in the past few years. Similarly, there is now near-consensus in the UK that lack of "patient long-term money" has contributed to Britain's relative industrial lag.

Mr Hilmar Kopper, chief executive of the Deutsche Bank, scathingly describes as "financial acrobatics" the tactics of acquisitive UK groups such as Hanson. He points to the benefits of the bank's long-term relationship with companies like Daimler Benz, in which it has a 28 per cent stake. "For some companies in difficult phases of growth and restructuring, it can be very useful to have a stable shareholder who accompanies them benevolently through this phase – and does not complain about the need to maximise pay-outs or profits every quarter."

Despite the strength of much of Germany's collegiate management, even corporate spokesmen like Mr Kopper acknowledge that unduly cosy ties between German companies and shareholders can reduce market disciplines. In parts of the economy, "we need more pep," Mr Kopper admits.

The large number of areas where British and German structures remain far apart underlines the difficulties of grafting the German "model" on to the British economy. But they also set out an agenda for Britain to learn from the German experience:

● REGIONAL DEVELOPMENT. German decentralisation has spread economic growth more equitably. The most prosperous part of Britain – south-east England – has increased its share of UK gross domestic product over the past 20 years (from 35.1 per cent to 35.6 per cent) while poorer northern regions have fallen further behind. By contrast, North-Rhine Westphalia, the German state with the largest population and the bulk of German industry, has fallen during this period (from 28.5 to 26.2 per cent) – and formerly lagging regions like Bavaria and Rhineland Palatinate have come to the fore.

● EDUCATION. In contrast to comprehensive schooling dominating British education, the principle of "streaming" prevails in most of Germany, reflected in the numerous types of secondary schools. Whereas during the 1980s the majority of British children left full-time education at the age of 16, about 55 per cent of 16- to 18-year-olds in Germany remain in school.

● LABOUR RELATIONS. German industry-wide trade unionism and "co-determination" – representation of trade unions on supervisory boards – remain powerful factors dampening labour flare-ups. The number of registered trade union members has risen slightly in west Germany in recent years to 9.5m at the latest count, whereas the total in Britain has slumped to 10.2m.

During 1987 to 1989, for every 1,000 employees, west Germany lost an average three days per year in labour disputes – compared with 169 per year in Britain. The German strike pattern could nevertheless deteriorate as a result of worsening economic difficulties in east Germany.

● VOCATIONAL TRAINING. The German "dual system" – where young people undergo in-company training combined with technical and general courses at outside colleges – is one part of the "model" which Britain is already trying actively to imitate. There are about 15m trained German workers, three times the figure in Britain.

There were 65,000 apprentices in British manufacturing industry last year, together with 41,300 other trainees. The number of apprentices in German manufacturing, by contrast, is about 610,000.

● HOUSING FINANCE. In the UK, financial deregulation and incentives for home ownership spurred an unparalleled surge of bank lending for mortgages in the 1980s. This was one factor behind the 1983-88 credit-driven boom – and the inflation at the end of the 1980s. British commercial banks' real estate lending rose from 12 per cent of total loans in 1980 to 23 per cent in 1989, with housing loans up from 4 per cent of the total to 12

The large number of areas where British and German structures remain far apart underlines the difficulties of grafting the German "model" on to the British economy

per cent. There has been no such diversion of resources into property in Germany.

About 65 per cent of UK homes are owner-occupied (compared with 50 per cent in 1971), whereas the proportion in Germany is only 40 per cent. Even though Germany is suffering from a severe housing shortage, banks' real estate lending remained steady as a proportion of their overall loans during the 1980s.

● TECHNOLOGY. According to Mr John Dryden, head of the scientific, technical and industrial statistics division at the Organisation for Economic Co-operation and Development (OECD): "There is a realisation in Germany that the right kind of infrastructure for innovation and technical progress has to be put into place. And this is concentrated in the sectors where the rewards are likely to come." West Germany's annual research and development spending came to between 2.8 and 2.9 per cent of GNP towards the end of the 1980s, compared with 2.3 per cent in the UK.

Mr Heinz Riesenhuber, the German technology minister, says he misses not having a British opposite number. The famed German cultural bias towards the engineer may be a reality. This is nevertheless not borne out by the biographies of some of the countries' captains of industry.

Only two of the chairmen of Germany's top companies measured by turnover have a scientific education (one as a chemist, the other as an engineer), whereas four are lawyers. In the UK, three of the top 10 chairmen have a scientific or technical background – and only one studied law.

OBSERVER

Back in the running

■ Could the next United Nations secretary-general be Prince Sadruddin Aga Khan, just appointed to co-ordinate all UN humanitarian operations in the Gulf?

An undeclared but interested candidate, he seemed to suffer a setback when Finland's Martti Ahtisaari, a senior UN official with similar aspirations, was named to conduct an on-the-spot assessment of the war's effects on civilians in Iraq and Kuwait. Prince Sadruddin, already in charge of UN humanitarian aid, resigned in a huff.

Ahtisaari's emotive report, speaking of the "near-apocalyptic" results of allied bombing reducing a formerly prosperous Iraq to the "pre-industrial age", didn't go down well in Washington and London. President Bush is said to have proposed personally to current secretary-general Javier Pérez de Cuéllar that the 58-year-old French-born prince be restored at the first opportunity.

A former UN high commissioner for refugees, he has now been entitled executive delegate. That means he'll in effect be the secretary-general's deputy, standing in for him at all inter-agency meetings on the Gulf.

He has at least 35 rivals to replace Pérez de Cuéllar when his term expires at the year-end, including representatives of African states who believe it's their turn. But as the veto-holding US and UK have emphasised that the top UN job is not subject to the rule of equitable geographic distribution, prospects of an African secretary-general seem slight.

Sober thought

■ Exam-obsessed Britain's long-running debate over whether John Major gained any O-level passes, has largely overlooked the question of how he might have benefited if he had. Fortunately, an answer emerged at the British Psychological Society's conference, which ended yesterday.

It has hitherto been a mystery what passing such exams enables people to do – except, of course, for things they are bureaucratically prevented from doing if they fail: like going on to higher education.

But UK psychologists Adrian Skinner and Christine Williams have noted one practical benefit. Heavy drinking has less of a brain-scrambling effect on boozers with O-levels than on those without.

So it's probably as well that Major downs only the odd one.

Top 10,000

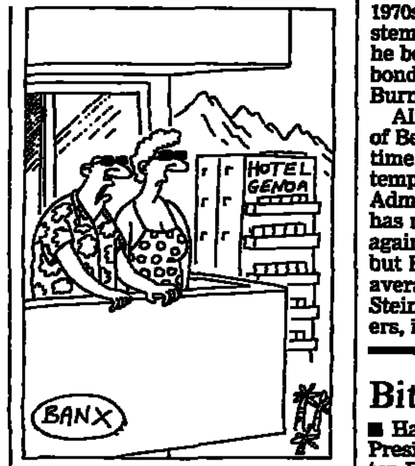
■ While it may be just Observer's age, good investigative financial journalists seem thin on the ground these days. Perhaps one reason is that writing for newspapers is far less lucrative than other things.

Charles Raw, who remorselessly pursued Bernie Cornfeld and Slater Walker when he was on the staff of The Sunday Times, is hard at work on a book about Italian financier Roberto Calvi who was found hanging under Blackfriars Bridge. Meanwhile Christopher Hird, another ex-Sunday Times insight team man, has just completed a 964-page Who's Who in Industry.

Hird still regards himself as first and foremost an investigative journalist. These days television is his medium. He has chased David Abell, Cecil Parkinson, Rupert Murdoch and others across British TV screens, and has some "interesting stuff" on ADT's Michael Ashcroft. But the profits from these one-off TV documentaries can be erratic.

Hence his company Fulcrum, jointly owned with Richard Belfield and employing 40 staff, has had to diversify. An index of nominees and beneficial owners, known as the red book, has found a niche, and the current listing of 10,000 top people in British industry also looks promising. Priced at £125, it's available from 88 Islington High Street, London N1 8EG.

Showing that his investigative skills are still finely tuned, Hird notes that under 2 per cent of the entrants are women. The commonest star sign is Taurus.



"I see the Germans have got to the beach before the oil slick."

Still going

■ One of the more remarkable things about US money managers is how many of the go-go investors of the swinging Sixties are still hanging around. Last week's seizure of Los Angeles-based Executive Life, which has shaken the US insurance world, has focused attention on one of the great survivors: 60-year-old Fred Carr.

A veteran of the Ira Haupt salad oil fiasco of the early 1960s, he used to run the Enterprise Fund which for a while was one of the hottest mutual funds around. He then moved into the more conservative world of insurance in the early 1970s. His recent problems stemmed from the fact that he bought too many junk bonds from the late Drexel Burnham.

Although no one has heard of Bernie Cornfeld for a long time, several of Carr's contemporaries are still around. Admittedly, Gerry Tsai's star has never shone as brightly again as it did in the 1960s, but Fred Alger has an above-average record and Howard Stein, of Dreyfus fund managers, is a pillar of respectability.

Biter bit

■ Having lost a packet on President Reagan's memoirs, top US publisher Simon and Schuster has been giggling all the way to the bank over the killing made by Kitty Kelley's unauthorised biography of Nancy Reagan.

Now, however, the publishing arm of the Paramount entertainment conglomerate is apparently being made to laugh on the other side of its face by an embarrassing hoax. It is reported to have paid $920,000 for a book about a serial murderer by an unknown writer.

The decision to outbid the rest of the competition for Just Killing Time was taken after glowing testimonials from John Le Carré and Joseph Wambaugh. The problem is that neither of those famous authors knows anything about the book.

Could it be that someone in the US department of dirty tricks is settling a few old scores?

Star sign

■ During a recent visit to former Prime Minister Thatcher's London flat, the astronomer royal observed that a cushion on her settee is inscribed: "The best is yet to come."

No European defence identity without Nato

By Douglas Hurd

Defence is being dragged into the discussions about European union. Jacques Delors, president of the European Commission, and others have proposed in recent weeks that the European Community should have its own defence policy. There is a creeping belief that the debate on a common foreign and security policy is empty unless it extends to include defence. A foreign policy without a military element is a policy of gestures, runs the argument.

Advocates of change in Europe's defence must answer the question: "Why not Nato?" For 40 years Nato has provided the peace in which we Europeans have built our prosperity and political unity. We have had these benefits cheaply. We Europeans provided much of the perseverance and the men. Our American partners provided much of the money and the nuclear guarantee which made Europe's defence credible.

Stability was – and is – Nato's gift to western Europe, a stable environment in which to make adventurous political and business choices. In the

The sovereignty of the 12 is not absolute in defence. The transatlantic community will continue to be important to us

east, instability is now the greatest threat. In managing their transition to new political arrangements, East as well as west needs Nato. The east Europeans tell us that Nato continues to underpin the stability of the whole continent.

We should not be tempted into tossing Nato aside casually, just because the east Europeans have forcefully thrown away the Warsaw Pact. We need Nato. It is tried by the west Europeans; it is trusted by the Americans; it is respected by the east Europeans.

But Europe has changed for the better, and Nato must match those changes. Nato needs a stronger European input. The 12 are making progress towards European union and Europe is seeking a bigger role through a common foreign and security policy. Europeans now realise that their security is affected by problems beyond Europe, in neighbouring areas like the Middle East, not just by adversaries within Europe.

America has reviewed its global strategy in the light of Soviet withdrawal and is making reductions in its ground forces stationed in Europe. Both the US and Europe recognise the continued need for Nato. The question is how a stronger European input should be developed and how it should relate to collective defence in Nato?

This is the nub of three inter-locking debates: in the European Community's intergovernmental conference, the Western European Union and the Nato strategy review. Parallel progress must be made. The prize is a new arrangement to bring together the European union and the renewed Atlantic alliance to guarantee a strong political partnership and maintain as effective a collective defence as we have had in the past.

There *is* a case for a stronger European defence identity. Defence consciousness among Europeans is a good thing; and it is time a more mature and affluent Europe not only made its voice heard but also pulled its weight in the alliance and western defence.

Our approach in the intergovernmental conference is to say: "Let us be European but let us not be arrogant or unrealistic." Nato must be an integral part of the future defence of Europe. It provides irreplaceable elements in our security, not just for the time being but permanently. We need to work out in detail how the alliance, the European input and European union will be linked.

Inter-dependence, not exclusivity, is the key. An approach which emphasised the separateness of Europe would seriously weaken our real security. The argument that Europe must be united and sovereign, that structures should be created to bring that about, is seductive – at first sight. But, in defence, is the ultimate goal of a European union standing by itself what we really want or need?

In defence, it does not follow that binding procedures designed to enforce a common


Tony Andrews

Foreign Secretary Douglas Hurd: the case for integration

policy would make us react more effectively. Where would the European military contribution to the Gulf crisis have been if formal voting procedures had been required?

Defence involves supreme national interests unsuited to the hazards of majority voting; national freedom of action is still important. The Community already has one neutral member and may have others in future. Nato has been successful in providing western defence. The US has been vital to Nato's success; the EC cannot hope to maintain such a strong link. All these limits on a Community role still hold true.

Moreover, the sovereignty of the 12 is not absolute in defence. The transatlantic community will continue to be important to us, whether we like it or not. The 12 could not guarantee its own security in a continent which includes a military superpower in the form of the Soviet Union. The costs of self-sufficiency in Europe would be astronomic. We could not acquire satellites, heavy-lift capability and the rest of the necessary high-tech paraphernalia overnight.

Despite the force of all these arguments, some claim there is a need to build up the European defence identity because the US might withdraw. I see no evidence of a US wish to disengage. But the surest way to bring that about would be for Europeans to treat Nato as an alliance of last resort while shifting their effort elsewhere.

Practicality and principle will have to be reconciled in the end. Britain's proposals show a way forward.

We agree that the construction of an integrated Europe must include security and defence. But European defence without the United States does not make sense. The common foreign and security policy should include some broad security issues (Conference on Security and Co-operation in Europe, arms control and non-proliferation, for example) but it should not compete with the military tasks in Nato.

A mechanism to ensure co-ordination between common foreign and security policy and Nato will be crucial. The Western European Union is in our view the answer most likely for European co-ordination within the alliance and as the defence arm of the union. This *re-invigorated WEU would* need an operational capability. It would be complementary to Nato. It would give Europe both more influence within Nato and the capacity to respond with the US to world events.

The WEU helped to co-ordinate European forces in the Gulf. It is now helping to get humanitarian aid to the Kurdish refugees. We could build on the WEU's experience in the Gulf when looking at how a European military role could be further developed. A European Rapid Reaction Force for use outside the Nato area would be logical and compatible with Nato's responsibilities to defend Nato territory. In practice WEU forces and staffs will inevitably be drawn from units and personnel also assigned to Nato roles. They could come under either Nato or WEU commands, depending on the contingency with which they were dealing.

Nato's own force and command structures will need to be adapted to reflect a greater European voice and input. With fewer total resources the case for integration is stronger than ever.

In the new Europe, with Nato linked via the WEU to the defence of the union, I see no reason why all allies should not be equally and fully involved. I would like to see our French and Spanish friends engaged in renovating the alliance's structure and command arrangements.

Renewing the alliance and deciding how European defence should be strengthened are two of our most important tasks in 1991 – they are two sides of the same coin. Britain has put forward many ideas which are both constructive and realistic. It is vital for the future safe defence of our continent that we get the outcome right.

Samuel Brittan

Now for the great UK inflation crossover

What would a physician say about an instrument which emitted symptoms of heart failure while he was administering successful treatment, but gave false reassurance if he stopped too early and endangered the patient's health? Such is the UK Retail Prices Index – which rose to alarming levels when interest rates were being raised to control inflation, but which would for a period show near-zero price increases if the chancellor took risks with inflation and reduced interest rates too far and too fast.

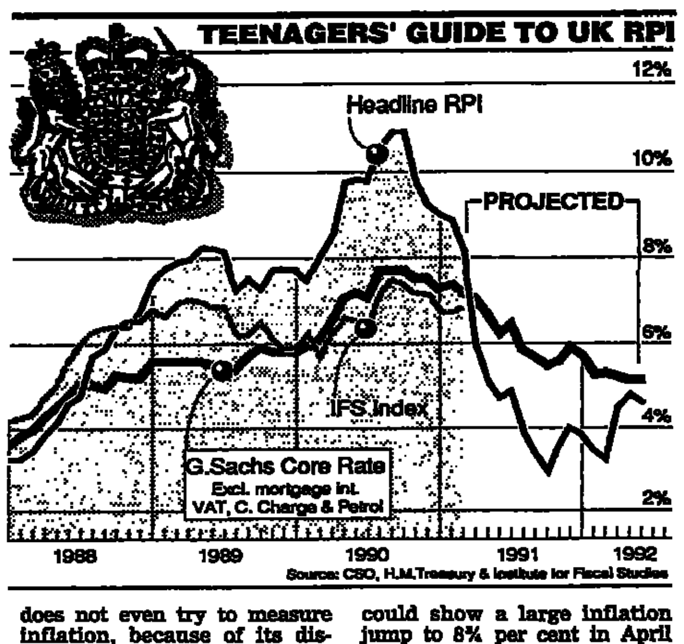
The worst unfavourable distortions were last autumn when headline inflation of 10.9 per cent was three percentage points above the underlying rate. Even the March figure is distorted upwards.

But the April RPI will show the start of a dramatic reversal, when the figures will unduly flatter both the inflation rate and the government – as I am sure the chancellor, Norman Lamont, will point out, even if the Conservative chairman, Chris Patten does not. The Treasury has already forecast a headline April inflation rate of barely more than 6 per cent, although the underlying rate will still be 7 per cent.

The pro-Tory distortions will then become more dramatic. Goldman Sachs projects a headline inflation rate of 4.7 per cent in June and one of as little as 3 per cent in October. The underlying rate will also be falling, but much less dramatically to, say, 5¼ per cent. The projections assume 10½ per cent base rates by winter.

Obviously, 1992 is more tentative. But Goldman Sachs's best guess is that the underlying inflation rate will continue to fall gradually to reach about 5 per cent by June 1992, the last date for a general election, and then continue further towards 4 per cent by the end of the year. On the other hand, the headline rate will bounce up and down between around 3 and 4½ per cent as shown in the chart.

There are several reasons for seeking out an underlying or "core" inflation rate. The RPI



Source: CSO, H.M.Treasury & Institute for Fiscal Studies

does not even try to measure inflation, because of its distorted treatment of housing. The best pure inflation measure is probably that of the Institute for Fiscal Studies, which excludes mortgage inter-

Base rates cannot move automatically down with the headline RPI

est and the Community Charge, but brings in house prices indirectly. Even that index still has the defect of including random and erratic fluctuations, which would still be there if the inflation trend were zero, and which policy could never hope to eliminate.

Smoothing out these vagaries can never be a mechanical operation. The nearest to an ideal index, if we could have it accurately and on time, has the off-putting title of "GDP deflator at factor cost". But the deflator has the great disadvantage of appearing only once a quarter, two or three months late, and is often revised.

So we are driven back on to adjusted versions of the RPI. But if the underlying rate which the Treasury has preferred to date – the RPI excluding mortgage interest and the poll tax – were followed, this could show a large inflation jump to 8¾ per cent in April because of the 2½ percentage point Budget increase in VAT. The Goldman Sachs index in the chart excludes mortgages, poll tax, VAT and petrol.

* * *

Although sterling's position in the ERM allows further interest rate reductions, it certainly does not require them. Friday's half percentage point fall in UK base rates to 12 per cent is the last that can be justified as part of the return journey from the abnormally high rate of 15 per cent. In seven out of the past 12 years three month rates averaged more than 12 per cent.

Further reductions need to be justified to the hilt by underlying inflation pressures as well as by recession fears. The fact that the Civil Service unions can even contemplate rejecting a pay offer of nearly 8 per cent – itself related to private sector settlements – shows how far inflationary psychology is from being eradicated. Any idea that base rates should move automatically down with the year-on-year headline Retail Prices Index would be a recipe for disaster. Although the Bank of England is not yet independently accountable, it would find ways of making the fact known if it were forced into rate cuts against its better judgment.

LETTERS

NEDC report to consider tax on company parking

From Dr John Ashworth.

Sir, Can I assure Mr Addison ("NEDC conclusion is not the answer to congestion", Letters, April 11) that the National Economic Development Council traffic management systems working party, has indeed taken on board his suggestion for improving London's traffic flow.

Our final report will include road layout factors as well as enforcement issues, public transport, the use of technology and economic factors. The last will cover, among many others, the possible taxation of the provision of a company-provided car parking space.

The last Budget introduced the taxation of a company-provided car telephone, so why not a company-provided car parking space?

Finally, I don't know if the NEDC is "the originator of the largest number of proposals that have not been accepted by any government", but in most cases our target audience is not government but companies, that do act on them.

John Ashworth,
chairman,
NEDC traffic management systems working party,
Millbank Tower,
Millbank,
London, SW1

Unfree market

From Mr Keith Flet

Sir, Your front-page report of April 10, "Gorbachev seeks ban on strikes and protests", surely represents the greatest dialectical contradiction yet in the Russian crisis.

Even in the midnight of the century of the Stalinist terror of the 1930s, strikes were not officially banned and did indeed break out from time to time.

What can we make of an economy that is meant to be embracing the free market but at the same seeks to outlaw attempts by labour to influence that market.

Not even Mrs Thatcher tried to ban a miners' strike.

Keith Flet,
4 Blake Road,
New Southgate, N11

Industry urged to support manadatory green audits

From Mr David Gee.

Sir, While it may be true that a leading company such as Guinness could suffer negative public relations if it did not sign up to the proposed voluntary "green" audit scheme, while Carlsberg did, ("Industrial controls must back greening incentives", Letters April 11), this would not be true, or even important, for the two-thirds of companies which are not important in commercial or industrial markets.

The public may therefore be entitled to remain sceptical of the voluntary environmental charter which was recently launched by the International Chamber of Commerce ("Leading companies in green pledge", April 11).

If industry is to be believed about both wanting to "green up" its act and to achieve the kind of "level playing field" that Josiah Wedgwood wanted when he asked government to extend the Factories Act from textiles to potteries, then it should support our call for a mandatory environmental auditing scheme.

David Gee,
director,
Friends of the Earth,
26-28 Underwood Street, N1

Retrospective changes to pensions not practical

From Mr Peter Stirrup.

Sir, In your editorial "Sex and the over 60s" (March 28) you accurately describe the quagmire in which occupational pension schemes find themselves following the Barber judgment of the European Court of Justice in May 1990 and the recent decision of an industrial tribunal in favour of Mr Alan Roscoe.

A key problem is the failure to recognise the essential feature of the UK system, whereby occupational pensions are generally earned and paid for during an employee's service.

Making retrospective changes to pensions already earned would mean varying the terms of employment long after the service has been rendered, which is not a practical proposition.

The National Association of Pension Funds (NAPF) is keen that equality in occupational and state pensions should be achieved as soon as possible. On the other hand it believes that equality should not be applied compulsorily to pensions which had already been earned before the Barber judgment and which employers reasonably believed had been paid for.

Such a move could cause serious problems for the business of employers who provide company pensions and so threaten the existence of their pension schemes.

Employers do not have to provide pension schemes for their employees.

Many have decided to do so and as a result they have accepted extra costs. It would penalise them unreasonably for that decision if they were now burdened with even more costs.

Equality can be achieved without compulsion. In our recent survey covering more than 830 major schemes run by NAPF members, we found that more than half of them had already equalised. This trend would be accelerated if, as we have repeatedly urged, the government equalised state pension ages.

Peter Stirrup,
chairman,
National Association of Pension Funds,
12-18 Grosvenor Gardens,
London, SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Fast action by clearing banks could save many ailing companies

From Mr Jeremy Parker.

Sir, It comes as little surprise to read in the letter from Messrs Smith and Barnes (April 2) that the company in their study failed, despite the presence of a number of professional advisers.

Our recent experience of working with small companies in financial difficulty is that management is wholly preoccupied with survival and has neither the time to consult its advisers nor the inclination to worsen its creditor position by so doing. Few small companies can afford full-time professional management, yet such skills are essential to their survival. It is improbable that a company's auditors or its solicitors, let alone its bankers, should be able to provide the level of hands-on management resource that is called for when it is ailing.

One solution available to shareholders and directors seeking to buy time from creditors is to appoint a part-time director with the appropriate experience in managing corporate restructuring and refinancing. The appearance of a seasoned professional at the helm of a troubled ship has been known to calm the nerves of lenders and creditors alike.

The number of failures in the small company sector could be reduced if the clearing banks reacted sooner to their clients' difficulties: it is too often the case that by the time the bank calls in investigating accountants, the company is beyond rescue and the accountants' fee is the final nail in the corporate coffin.

The banks' early warning systems should be able to detect the first signs of decline in the quality of their security and it is then that they should take action, bearing in mind the potentially fatal time-lag which occurs between the processing of management information and the actual state of the company's solvency.

Lacking the resources internally to help smaller companies, the banks should be in a position to draw on a pool of experienced company doctors whom they can "recommend" to their clients. Early diagnosis and treatment of an ailing company by a part-time external director introduced by the banks or shareholders has a better chance of effecting a long-term cure than occasional advice and surveillance by auditors and accountants.

Jeremy Parker,
Jeremy Parker Associates,
49a High Street,
Tunbridge Wells, Kent

FINANCIAL TIMES
Monday April 15 1991

Oil slick threat to Italian coast as tanker sinks

Richard Donkin in London

POLLUTION experts were last night working to avert an ecological disaster in the Mediterranean after the sinking of an oil tanker off the Italian coast.

One slick is already threatening a 10-mile stretch of Italy's most popular holiday coastline and the Italian government has declared a national state of emergency.

The 109,000 dwt tanker called the Haven, which sank yesterday in the Bay of Genoa, is a sister ship of the Amoco Cadiz which caused one of the world's worst oil pollution incidents when it ran aground off the Brittany coast in 1978, spilling 1.6m barrels of oil.

A task force made up of the Italian navy, merchant marine and environmental officials was examining whether it was possible to contain what appeared earlier in the weekend to be an escalating catastrophe.

Two large explosions, one on Saturday and one early yesterday morning, rocked the listing ship, which caught fire on Thursday after an initial explosion in which two crewmen died and three remain missing.

The Italian navy managed to tow the ship 11 miles into shallow water where it sank to a depth of 68 metres on a sandy bed about a mile offshore, leading to hopes that some of its 1,035,000 barrels of Iranian crude – nearly four times as much oil as spewed from the Exxon Valdez off Alaska in March 1989 – could be prevented from leaking into the sea.

The ship has 56 compartments, and it is not yet clear how many have been ruptured. Italian officials said oil was no longer leaking after the sinking.

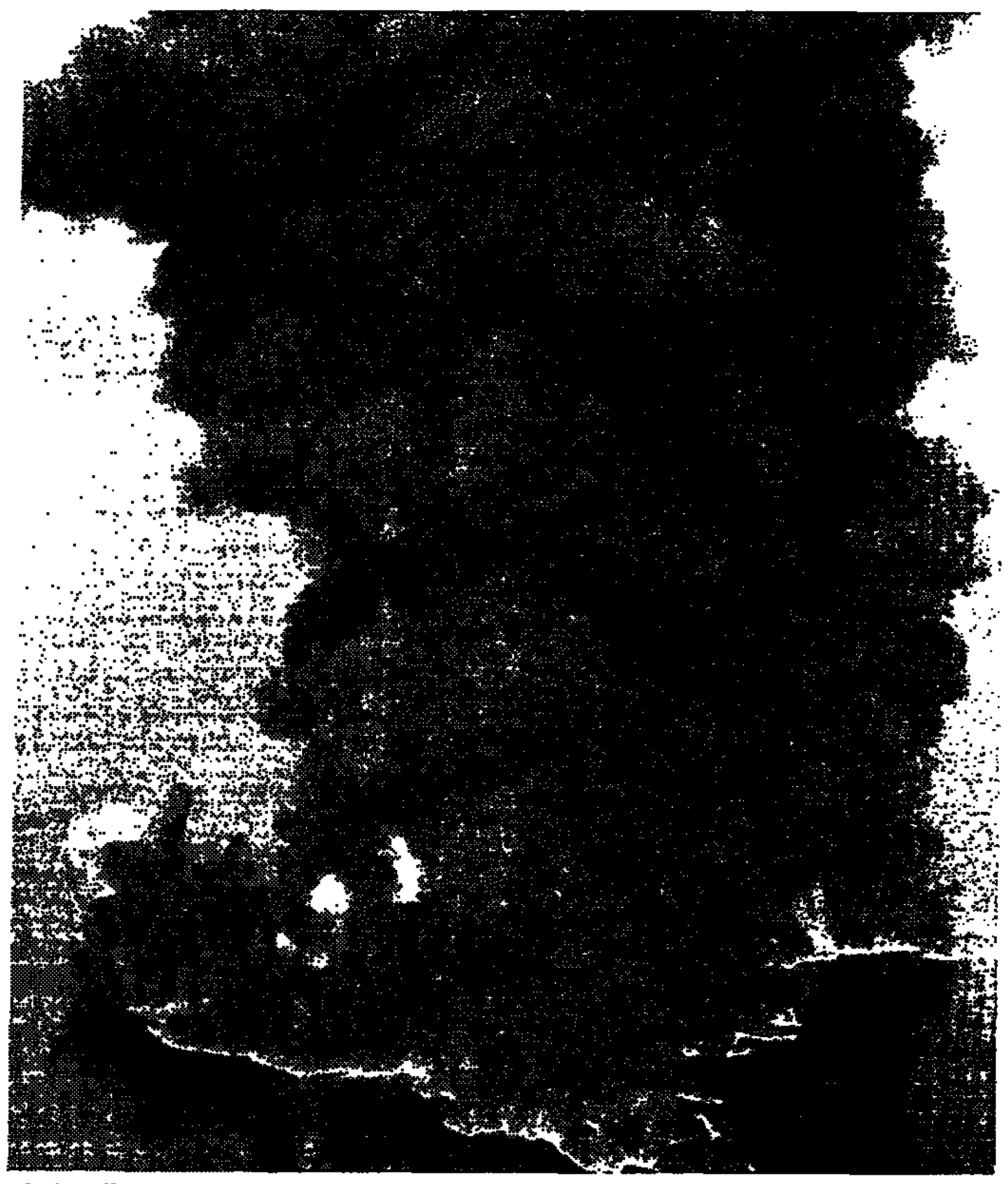
Mr Tosh Miller of the International Tanker Owners' Pollution Federation said that flights over the spillages yesterday indicated that fewer than 5,000 tonnes of oil had escaped.

Greenpeace, the environmental group, had been suggesting that some 25,000-30,000 tonnes of oil might have leaked from the vessel.

Troodos Shipping and Trading, the London agent acting for the Haven's Cypriot owners, said the Smit Rotterdam salvage tug had been chartered to assist in an effort to pump the remaining oil out of the submerged tanker.

Ms Luisa Pierantonelli, a director of the Rome command centre set up by the Italian Environment Ministry to handle the crisis, estimated that 434,000 barrels of oil were still on board the ship.

Most of the pollution control work is being carried out on a seven miles long and two miles wide oil slick, which was yesterday lying about four miles off the Italian Riviera, between Savona and Varraze.



Blazing oil spreads across the waters of the Bay of Genoa as the tanker Haven sinks yesterday

Sterling and the fund managers

By Anthony Harris

At first sight, the events of last Friday make both the chancellor and his critics look pretty silly. Interest rates were cut again and sterling rose again within the ERM.

This makes apparent nonsense of the dire warning from the six monetarist letter-writers to The Times, who said that sterling would have to be devalued to make interest rate cuts possible (MLR was then at 14 per cent).

However, the chancellor's sober warning that future cuts would depend on the ERM looks equally pessimistic. Sterling has risen ever since he started cutting rates, just as the dollar rose, seemingly without end, in the mid-80s when rates were cut.

Can we conclude, then, that the economists are wrong and have the relationship between interest rates and exchange rates upside down? Only up to a point. We need only look south across Europe, and see that the Spanish peseta and the Italian lira are so strong on the basis of high rates that only massive intervention can keep them within their ERM bounds.

Equally, look back a few months to the run-up to sterling's ERM entry: the exchange rate against the ERM rose as interest rates were pushed up. Meanwhile, however, the D-Mark is weak despite the expectation of higher rates. All most confusing.

Some of the confusion may melt away if we remember the one clearly sensible assertion of the once-fashionable rational expectation hypothesis: that markets move only in response to surprises. (The rest of the theory is largely forgotten, because nobody regards today's volatile markets as rational.)

The rate cut in London last week was no surprise at all: the market had been talking of little else for days, and so lower rates were clearly discounted in the exchange markets, just as they were in the futures market. It is perfectly possible, indeed, that the sterling rally reflected relief that the politically pressed government had not cut by a full point, which would put the relationship the "right" way up again.

There is an alternative theory, however, which is equally persuasive – and equally impossible to prove. This would offend John of Occam, the schoolman who said that one phenomenon could only have one cause; but in the markets, things are not so rigorous. This rests on the distinction between "hot" money and long-term investment funds.

Footloose money simply seeks the highest rates of return, if the risk looks acceptable; the higher the money market rate, the bigger the inflow. It was a movement of this kind that financed the peak British current account deficits and the large investment outflows of last year; and the rise in Spanish and Italian reserves despite large deficits looks like the same story.

Long-term investors, by contrast, look for expected real returns in the long term. When they are dominant, exchange rates behave like equity prices: they rise on lower credit costs, or the expectation of them. That, broadly, is the British and American story for most of this year.

This does not mean that international investors are constantly losing sleep over the cost of credit in London: the investors who make the weather are mainly those based at home. It is because fund managers like UK equity returns, especially with ERM insurance against exchange rate risks, that the market moves as it does. And where else can you get a government-guaranteed real return of 4 per cent? Answer: invest at home.

Other things being equal, this suggests that there is one rule for countries with large and liquid equity markets and no exchange controls – Japan, the US and the UK, in that order. This, indeed, seems broadly to be the case. The yen the dollar and sterling tend to move in the same direction as equity markets; most other currencies respond more to relative interest rates, especially where foreign investment is unfamiliar or hampered by law. This simple insight might have prevented some of the more spectacular recent mistakes in judging exchange rate and interest rate futures; but it is still terribly over-simplified.

First, the relationship can break down when the market appears to doubt the judgment of the monetary authorities; in other words, when the yield curve steepens. It is now particularly steep in Wall Street; and it is probably this fact, rather than the known prejudices of some regional Fed presidents left over from the Volcker era, which restrained the Fed last week from responding to lower inflation with a further rate cut.

This is a warning that investors may before long conclude that they are safer in Japan, where the next interest rate move must surely be down, rather than in the US, where it just could be up. It is also a longer-term warning for sterling: if investors start to concentrate on the core rate of inflation rather than the headline numbers, they could lose their present confidence – especially after an autumn election. There is a longer-term danger, too: where prices are based on expectations rather than on current returns, they tend to overshoot once any move is established, as every schoolboy must know by now. The dollar and the yen, both sharply undervalued in purchasing power terms at the moment, clearly have a long way to rise: equally clearly, they will rise too far. Sterling is or will be over-valued; but its volatility will be limited by ERM membership – though not eliminated: it could drag the whole system up for a time.

Furthermore, exchange rate movements have what may appear to investors a perverse result: the exchange rate strength which results from the hope of high returns tends in fact to reduce those returns. In fact, this is not perverse at all: the market is simply doing its job of equalising expected returns, partly through asset prices, and partly through competitive pressures. It all adds, though, to the hangover when the market does overshoot.

This is only the merest sketch of the true complexities of the credit-exchange rate nexus: we should also factor in perceived financial fragility, politics and demography, for a start. Is it any wonder that the forecasters make such a hash of it?

A human disaster in the making

Julian Ozanne describes how life in Somalia is disintegrating

TORN by vicious tribal slaughter, revenge killings, and a looted capital city which has degenerated into armed anarchy, Somalia has been deserted to its hapless fate by the outside world.

Like the decomposed corpses which still litter Villa Somalia, the wrecked former presidential palace of Mohammed Siad Barre, the life of a nation is disintegrating.

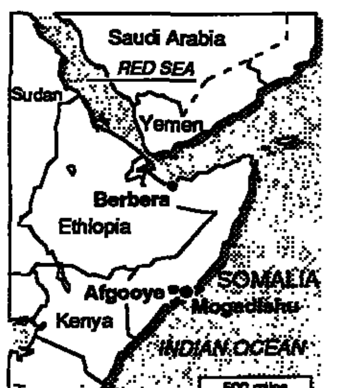
Under the burning sun what was once human flesh has dried tight across the skeletons into a hard translucent yellow leather. The smell of decomposition has passed, replaced now with the reek of hundreds of pellets of rat faeces which surround each body from head to toe.

The legacy of Barre's reign of terror carried out by his hated Red Beret bodyguards lies not far away.

Inside the Villa one of the president's offices is knee-deep with thousands of unopened letters from human rights activists across the world dating back to 1986, a testament of the contempt in which the regime held those who questioned the way in which it held on to power.

Perhaps not surprisingly no one has thought to give the reviled bodyguards a dignified burial. There is neither the time nor the desire to do so in the chaotic mayhem which has possessed a city marked by the constant clatter of machine gun fire and warriors, many high on miraa, the local narcotic, riding shotgun on cannibalised vehicles through a wasteland of pock-marked buildings and streets strewn with debris.

As usual the victims are the civilians trapped without food, clean water or basic medical



supplies. In a Mogadishu hospital a young teenager lies in a pool of blood on a concrete floor. His left arm and part of his face have been blown away by a grenade he was playing with.

His mother sits beside him trying to put back the drip into his right arm which he keeps knocking out as his body jerks with spasms of pain. "He will die," said one of the nuns working in the SOS hospital, the only hospital which continued to function during the worst times of the war. Later that afternoon he died.

In what was once a school in the SOS project classrooms are flooded with babies born with tetanus, emaciated infants wracked with disease, victims of accidents and the wounded from the battle front. Without drugs, fuel, food and foreign aid workers the situation is deteriorating every day. A human disaster is in the making.

Nearly three months after Mr Barre fled south from the capital with remnants of his army, the civil war continues with unremitting intensity. Last week forces allied to Mr Barre fought to within 20 miles of Mogadishu before being beaten back.

But in the offices of the capital, the politicians still talk about peace. "We are negotiating every day and we hope to fix a meeting between the two warring parties soon," said Mr Ali Mahdi Mohammed, the president of the provisional United Somali Congress government.

As he spoke the crackle of machine gun fire erupted outside on the street.

For 21 years Mr Barre ruled Somalia favouring his own Marehan clan, a sub-clan of the Darod, ruthlessly oppressing dissent. The Hawiye, the overwhelming majority in Mogadishu, suffered most from Barre's myriad security forces. Ninety-two were killed in three days after Christmas last year, prompting an ethnic based uprising as Hawiye hunted down Darod and Darod killed Hawiye.

"What begun as a power struggle turned into a tribal vendetta," said Mr Ahmed Haile, a supporter of the USC, under which the Hawiye are grouped. "There is still a witchunt on both sides. Nobody can deny that. We are ashamed about it."

Most of the Darods fled south. The few remaining in the city had to take shelter. In a stone-walled compound on the north of Mogadishu 3,200 of them are camped in the home of Sheikh Abucar Omar Adan, a religious Hawiye leader who has protected and fed the people his own clan were hunting down.

The provisional government is beginning to grapple with the problem, first by acknowledging it. "Clan is a reality in Africa and in all primitive societies," said President Ali Mahdi." But I am sure we can overcome it."

Among middle class Hawiye a consensus is emerging that a federal democratic solution will be the only escape from clan rivalry, which has traditionally been based on competition for land, waterholes and livestock.

"Clanism and tribalism cannot be buried. We must build a pluralist political system where clan can be freely and fairly reflected as the political unit," said Mr Haile.

Whether deep inter-clan bitterness and revenge bloodlust can be diminished remains questionable.

So far there seems little prospect for an end to the killing, which has already claimed an estimated 6,000-8,000 lives.

The seemingly abundant supply of weapons and ammunition provides the means. In the gun market an automatic rifle can be bought for $110 and 20 rounds of ammunition for $1.20. Bazookas, rocket propelled grenades, machine guns and even tanks are also available on special request.

The government says it is trying to police the city and buy back the guns at market rates. But with an estimated 20,000 criminals still on the loose and the demands of fighting a civil war the task is a herculean one.

By day nobody dares to drive around the city without gunmen pointing their guns out of the back windows or riding on the roofs. At night the streets are empty as intermittent gunfire breaks out and the sky is illuminated with red tracer bullets.

John Major defends UK government record

By Ivo Dawnay, Political Correspondent, in London

MR JOHN MAJOR, the UK prime minister, yesterday rejected accusations that he had been "dithering" over reform of local government taxation, dismissing attacks from opposition leaders and recent criticism from members of his own Conservative party right-wing as "juvenile name calling".

The prime minister defended his leadership record in a television interview, insisting that the long awaited consultation document on the replacement of the community charge or poll tax would be published soon.

He also brushed aside new claims, due to be broadcast tonight, from Sir Alan Walters, the former special economic adviser to Mrs Margaret Thatcher, that the government lacked direction.

Mr Major's defensive tone nonetheless provoked some Tories to question why the party leader had been allowed to face the cameras at a time when the poll tax consultation document has still not been published.

With the local government election campaign entering its second week, it inspired a new barrage of attacks from opposition parties who have gleefully seized on criticism of Mr Major's style from the Tory right to hammer home the "weak leadership" charge.

Clearly irritated by persistent questioning on the government's new local tax, Mr Major was reduced to insisting repeatedly that the public must "wait and see".

The prime minister was abruptly dismissive of criticism from Sir Alan Walters, due to be broadcast on television tonight. This claims that while Mr Major is "an extraordinarily good executive" he has not conveyed a sense of the ideas and principles that drive him.

Reminding viewers that earlier criticism from Sir Alan had warned that Britain's entry into the exchange rate mechanism of the EC would mean devaluation and an inability to lower interest rates, Mr Major pointed out that neither of these predictions had proved true.

Later in the interview, Mr Major also defended his policy of creating an enclave for Kurdish refugees in Iraq, pointing out that Britain had been the first to react with humanitarian aid and had taken the initiative in proposing solutions to the crisis.

Gorbachev pressed to accept a coalition

By Leyla Boulton in Moscow

PRESSURE is building on Soviet President Mikhail Gorbachev to agree to a coalition government after renewed appeals by two key republican leaders for such a compromise and the unveiling of central government anti-crisis measures which cannot be implemented without republican support.

Mr Boris Yeltsin, the Russian federation leader, urged Mr Gorbachev at the weekend to hold "round table" talks with all political forces to stop the country from disintegrating, as a crippling strike by coal miners demanding the Soviet leader's resignation threatened to spread to other sectors of the economy.

"Sitting at this round table should be Gorbachev, Yeltsin, and other representatives of the republics, of the Communist and other parties and movements, and of strikers, including the miners. Does this question need to be resolved somehow? Yes it does, otherwise that will be it. The country will disintegrate," Mr Yeltsin said before leaving for a visit to France.

Meanwhile, party officials, quoted by the official news agency Tass, yesterday sought to quash rumours that the Communist party itself was seeking to oust Mr Gorbachev.

President Nursultan Nazarbayev, of Kazakhstan, who has tried to bring Mr Yeltsin and Mr Gorbachev together, said he feared it was already too late for them to reach agreement. But he echoed Mr Yeltsin's call for a coalition, saying the country was in danger of succumbing "to a more brutal dictatorship than even the old totalitarian system".

He was speaking in an interview published after Mr Valentin Pavlov, the Soviet prime minister, submitted to deputies an anti-crisis programme which relies on co-operation with the republics.

"We need a government of national confidence which will have a clear programme and its own think-tank and which will offer urgent measures for resolving the crisis," the Kazakh leader told Komsomolskaya Pravda.

The latest political moves were accompanied by official statistics published at the weekend which said that coal production had fallen by 82 per cent in March following the start of the miners' strike on March 1. Non-ferrous metals production was down 7 per cent in the first-quarter of the year while several other key sectors showed a fall in production ranging from 8 per cent in machine tools to a 15 per cent decrease in timber output.

Meanwhile, the republic of Georgia sought to boost its campaign for independence when its parliament yesterday elected Mr Zviad Gamsakhurdia, the parliamentary chairman, as state president in a preliminary step to calling direct presidential elections.

WORLDWIDE WEATHER

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday April 15 1991

INSIDE

Fed stalls as the lights turn green

The failure of the Federal Reserve to respond on Friday to the good news on inflation and the dollar with an immediate cut in US interest rates has upset financial markets. The markets had hoped to see either the discount rate or the federal funds rate lowered 25 or 50 basis points. So why didn't the Fed and its chairman Mr Alan Greenspan (above) respond to the green light? Patrick Harverson reports. Page 20

Executive Life awaits verdict on financial condition

Executive Life of New York will learn this week what action the New York State insurance department will take following its study of the unit's financial condition. Executive Life of New York is the smaller of the two main operating units within First Executive, the big Californian life insurance company. The Californian Insurance Department seized control of Executive Life, First Executive's main operating unit, last week. Page 17

Nippon Steel moves into micros

Nippon Steel, the world's largest steel producer, plans to launch a "notebook" computer in the US and the UK as part of its three-year-old plan to diversify into electronics and information systems. The company, which is entering the computer business in response to slow growth in its traditional business, has already established joint ventures marketing equipment from US companies such as IBM.
Page 20

Oerlikon-Buhrle targets defence

Oerlikon-Buhrle, the Swiss industrial and armaments group, is taking steps to bring its defence division back into profit. The group plans a radical restructuring of capital to absorb heavy losses and pave the way for an outside partner to buy into its troubled defence business. Page 20

Market Statistics

Companies in this section

US regulator investigates Microsoft

By Louise Kehoe in San Francisco

THE US Federal Trade Commission is investigating Microsoft, the world's largest software company, in a wide-ranging anti-trust inquiry.

Microsoft said it had been told that the FTC would examine third-party allegations that Microsoft "has monopolised or has attempted to monopolise the market for operating systems, operating environments, computer software and computer peripherals for personal computers".

The company supplies the DOS personal computer operating system used in all IBM-compatible personal computers.

Microsoft is also the largest supplier of applications software for personal computers.

The group's long-standing ties with IBM have given it a pivotal role in the personal computer industry. If Microsoft is found to have violated anti-trust laws, as some competitors privately charge, the outcome is likely to have a broad impact throughout the computer industry.

Previously, Microsoft had understood the investigation to be narrowly focused on a 1989 joint statement with IBM in which the companies were alleged to have agreed to limit the functionality of Windows, a Microsoft personal computer programme.

Mr William Neukom, Microsoft vice-president of law and corporate affairs, said: "Microsoft is surprised and disappointed that the inquiry has been broadened.

"We will continue to co-operate with this investigation," added. "We believe that Microsoft has acted in a legal and ethical manner."

The FTC, which is charged with investigating business practices that restrict competition, declined to comment on the existence of the inquiry, or its nature.

Microsoft's share price fell from a Thursday close of $111 to trade at $106½ on news of the investigation by the Federal Trade Commission.

TSB winds down mortgage lender

By David Barchard in London

MORTGAGE EXPRESS, the centralised mortgage lending arm of the big UK bank, TSB, is to withdraw from the market with the loss of about 40 sales jobs.

The move follows two months of unsuccessful attempts to sell the company, which has a mortgage book of around £3bn. Mortgage Express was one of the fastest-growing of the new lenders at the height of the UK housing boom in 1988, but last year it slipped into an undisclosed loss after making bad-debt provisions of £8m.

These accounted for two-thirds of TSB's total provision against bad debts on its retail banking operations.

Mortgage Express employs 420 people and is believed to be the third largest of the centralised lending companies. Mr Hywel Luke, managing director, is among the 40 members of Mortgage Express's 420 staff being made redundant immediately. Most of the others belong to the company's sales force.

Although many insurance companies and foreign banks have placed their mortgage businesses on the market in the last year, several – including Canadian Imperial Bank of Commerce which had a book of about £2bn – have been unable to find buyers. However, the decision to wind down a business as large as Mortgage Express is unprecedented in the industry.

Mr Hamish Paton, TSB managing director for banking services, said the group would now sell its mortgages through TSB Mortgages, its other property-based lending subsidiary with a book of about £3.8m, via its branch network. Mortgage Express's mortgages were distributed through 30 life assurance companies.

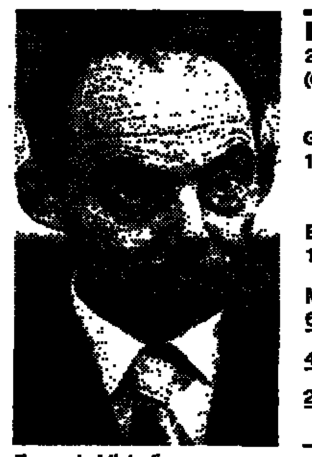
The closure is not expected to generate extraordinary expenses on TSB's balance sheet when its interim results are announced in June.

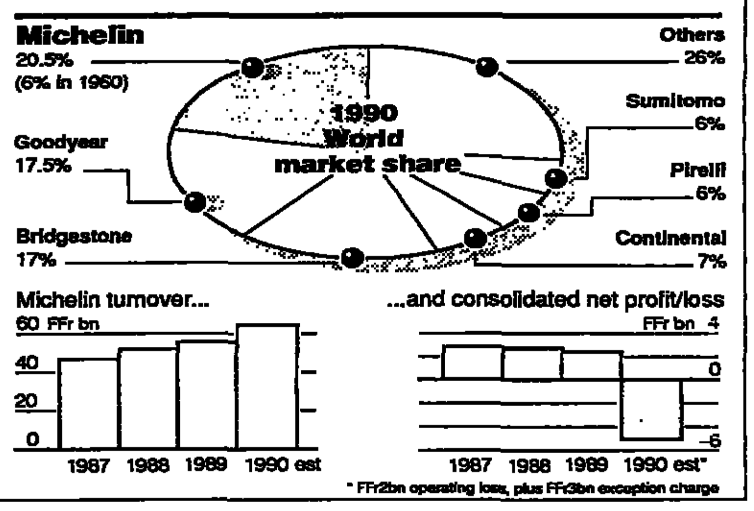
More jobs will be shed at intervals as Mortgage Express's operations contract in size over the next year or two.

Pulling the plug, Page 16

Will Dawkins in Paris looks at the French carmaker's tough way ahead in the wake of further job cuts

Michelin's man aims to ride out the bumps


François Michelin



* FFr2bn operating loss, plus FFr3bn exception charge

François Michelin, 64-year-old head of the world's largest tyre company, has been loath over the years to take an axe to his workforce. The decision he has just taken was thus one of the toughest of his life.

Like everyone in the world tyre industry, Michelin – expected to announce on Wednesday an annual operating loss of almost FFr2bn ($352m) plus an estimated FFr3bn restructuring charge – is suffering from a decline in prices to its main customer, the troubled car industry. Last week, the company announced it would shed 4,900 jobs in France – 13 per cent of its French industrial workforce – in a bid to cut costs. This is the largest of the five rounds of job cuts Michelin has had to make in eight years.

The move is a catastrophic blow for Clermont Ferrand, the sleepy industrial sprawl in the heart of the Auvergne, where Michelin has its headquarters and where one worker in five is an employee of the company. But the only reaction from the "Bibs" – as Michelin workers are called locally, after the company's roly-poly mascot Bibendum – has been resignation; Clermont Ferrand, which takes almost half the French reduction, is still numb from the last round of cuts in June when Michelin said it had to lose 2,260 jobs.

The Michelin man himself is in a mood of grim determination, as he showed in a rare interview last week. His decision is a remarkable change for a company criticised in the past for being too paternalistic.

Mr Michelin accepts that the company was late in making its job cuts by comparison with other leading tyre makers. But he points out that Michelin was only just completing its takeover of Uniroyal Goodrich, the US tyre group, at the end of 1989 when the downturn began.

He says: "We were like an aeroplane that is trying to take off. You have to keep all the engines going until you achieve take-off speed. You cannot reduce power until you have taken off, otherwise you crash at the end of the runway."

The group had for some time suspected it had surplus staff. But until recently the priority was to grow and become more international in line with the globalisation of the car industry. Mr Michelin also says the group was inhibited from making these latest cuts earlier by political, trade union and humanitarian considerations.

Mr Michelin's direct style is typical of the way that insiders say this notoriously secretive group is managed; it sets the tone for Michelin's strategy in tackling the recession.

His office, for example, looks more suitable for a modest works manager than the head of a 130,000-strong industrial empire. It is furnished with plywood and steel chairs on a tiled floor – "putting down plush carpets would be stealing money from the customers," says an official – and occupies a corner of the factory started by his grandfather 101 years ago.

In keeping with this low-key style, Mr Michelin and the two other top men in the company carry the simple title of *gérant* or manager. It is a striking contrast with the typical job title of "president and managing director" given to most French company chiefs.

But along with the simplicity comes toughness. Times may be hard, he indicates, but in no way is Michelin prepared to lose market share. Mr Michelin estimates that there is 20 per cent overcapacity in the world tyre industry, equivalent to slightly less than Michelin's own market share. But these latest job cuts will take out hardly any Michelin capacity and leave its European production unchanged.

"We are simply adapting our costs to a new economic situation," he says. Neither can Mr Michelin exclude further job cuts. That depends on unforecastable car market trends. "When will you buy your next car? What type will it be?" he asks, with one of his frequent enigmatic grins. "I'd love to know what will happen in the next four years, but I don't."

Yet tyre industry overcapacity is not the main problem, he argues. The decline in prices, hastened by recession, is long-term and pre-dates the industry production surplus. Prices have fallen by 50 per cent in real terms in France over the past decade, so a tyre now costs much the same as a pair of shoes or a tank of petrol. "Given the difference between the technical risk of a tank of petrol and importance of tyres for the car's safety, that seems a little unbalanced," complains Mr Michelin, showing the traditional French reserve over the usefulness of brute market forces.

He pins the responsibility – though not necessarily the blame – for this on the car industry. "The price fall is linked not to overcapacity but to carmakers' need to reduce their operating costs, and so sell at prices able to reach a wider clientele ... Each acts in function of their internal difficulties and they are perfecty right," says Mr Michelin. And yet, he adds: "I think they are beginning to realise that they can't get away with everything."

Some analysts argue that the world tyre industry ought to be powerful enough to push the car manufacturers around, given that just six tyre groups control three-quarters of the market. But there is no question of Michelin breaking ranks and raising its prices. "Nobody would follow us," says Mr Michelin.

Car producers' technical demands are going to become tougher, posing both a challenge and an opportunity for Michelin, the *gérant* believes. "Clients' needs are going to get very diverse. I see the progressive abandonment of big series car production, in favour of smaller series. For us, this means slightly smaller production runs," Mr Michelin predicts.

In an ideal world, this would be accompanied by a shift from a commodity-type market to one where prices take more account of quality.

Whatever the difficulties, Mr Michelin is sticking to his strategy. The Uniroyal Goodrich acquisition was criticised by many as saddling Michelin with extra production capacity and debt at just the wrong moment. Yet this was essential to get access to the high margin market for replacement tyres and for so-called private brands, both specialities of the US company. Eventually, says Mr Michelin, the Uniroyal purchase will come to be seen as a sensible move.

Others have criticised Michelin for not diversifying away from tyres apart from its traditional maps and guides business, which absorbs a tiny fraction of sales. Until the day the group produces the perfect tyre, Mr Michelin sees no logic in diversifying.

What about his own future? With his 65th birthday coming up in July, Mr Michelin says the organisation of a smooth succession "preoccupies me a lot," the first time he has publicly mentioned the possibility.

There is no heir to the throne because the company is run like a partnership, and the three *gérants* have the same general management function. But Mr Michelin points out that the key figure in ensuring continuity will be the youngest of the *gérants*, 53-year-old Mr René Zingraff, a lifetime Michelin man, promoted to the post four years ago.

For the foreseeable future, however, there is no sign of this grand old man of French industry fading into the background or changing his basic strategy.

Economic Notebook

Bickering over the Bundesbank

THE BUNDESBANK is experiencing a behind-the-scenes battle over power-sharing which is growing in intensity – at a time when the German central bank is running into ever-greater complications along the road to European Monetary Union.

Mr Karl Otto Pöhl, the Bundesbank president, usually a sovereign figure on the international monetary circuit, faces a complex assortment of interlocking problems.

The challenges over a prospective restructuring of the bank's 18-member policy-making council, necessitated by last year's absorption of East Germany, are compounding difficulties caused by post-unity financial turbulence.

Turnaround

Statistics last week showed that Germany ran a small current-account deficit in the first two months of 1991. This represents a sharp turnaround from current account surpluses of DM104bn ($62bn) in 1989 (in West Germany) and DM71bn last year (from July 1, counting both east and west Germany).

The need to import capital to help cover the costs of unification means that the Bundesbank will be keeping interest rates high for the foreseeable future, whatever the desires of partner countries in the European Monetary System for credit easing.

Concern over German interest rates is overshadowing preparations for the move to stage two of European Monetary Union at the beginning of 1994, where France and Germany are still divided over setting up a European central bank.

Compared with the tussling between Bonn and Paris over EMU, the bickering within Germany over Mr Pöhl's plans to cut down the number of the country's state (Land) central banks appears almost banal. But the political ramifications are wide-ranging.

The problem arises because the arrangements under which the Bundesbank extended the D-Mark to east Germany last year were only provisional in nature, and need to be sealed by a change in the Bundesbank law by the autumn.

Chancellor Helmut Kohl has to decide in the next few weeks whether or not to support Mr Pöhl's suggestion of reducing the number of Land central banks from 11 in west Germany to eight in united Germany.

The proposal, involving the closure and merger of some regional central banks in the west, is politically sensitive because the president of each Land central bank sits on the Bundesbank's policy-making council.

The Finance Ministry in Bonn is already giving support to Mr Pöhl's ideas, which would slim down the top-heavy council and make decision-making less onerous. It would also redress the balance between the regional central bank chiefs and the Frankfurt-based Bundesbank directorate, which garners only seven votes out of 18 on the council.

The Pöhl plan has been backed by a majority of the 18 – but is opposed by a group of seven Land central banks, which believe the proposal would water down Germany's federal system and reduce the political influence of individual states.

Bonn officials say that Mr Kohl, who met Mr Pöhl in Bonn last month to discuss the subject, still has not made up his mind on the issue. This is partly because the chancellor does not want to annoy the Land governments, which say they would lose out over the deal.

Mr Pöhl's only allies on this question among the Land representatives on his council are the presidents of the Hamburg, Berlin, Hesse, and Lower Saxony central banks.

If relations between the Bundesbank and the government were unperturbed, Mr Kohl's hesitation would not matter much. In fact, they are going through a stormy time. Mr Pöhl upset the chancellor last month by saying in public that introduction of the D-Mark into east Germany last year had produced a "disaster".

Although Mr Pöhl sent a letter to Mr Kohl soon afterwards to play down the remarks, the episode still rankles in Bonn.

Other members of the central bank council believe that a decision by the chancellor against the central bank president's plan would further undermine Mr Pöhl's authority, which has come sporadically under strain during a series of disagreements last year over the terms of German monetary union.

Resignation

Mr Pöhl was elected for his second eight-year term as the head of the Bundesbank at the end of 1987, and is due to stay on until the end of 1995. He briefly considered resignation in February last year, after Mr Kohl changed his mind overnight and decided, without telling the Bundesbank, to advocate speedy monetary union with East Germany.

If Mr Pöhl were really to resign – although there seem no grounds for this – the succession would either pass to Mr Helmut Schlesinger, the present vice-president due to retire in September next year, or to Mr Hans Tietmeyer, the former Bonn state secretary, who joined the Bundesbank last year.

A side skirmish in this political tussling took place 10 days ago when the central bank council, in a highly-unusual move, rejected the new candidate put forward to join the council from the state government of the Saar.

Mr Hans-Jürgen Koebnick, the mayor of Saarbrücken, was nominated to replace the incumbent, Mr Hans Gliem. But the Bundesbank council turned him down not only because they regarded Mr Koebnick as lacking in professional qualifications, but also because the Saar central bank is due to disappear under the Pöhl plan.

The proposals foresee the state of Hesse taking responsibility for the Rhineland Palatinate and the Saar, while Hamburg would absorb Schleswig-Holstein and Mecklenburg and Lower Saxony would merge with Saxony-Anhalt and Bremen.

A majority on the central bank council made clear that approving Mr Koebnick would be politically counter-productive and might also be financially exorbitant, considering the job carries a DM350,000-a-year salary. However, the Saar will be pressing Mr Koebnick's claims through the Bundesrat, the upper house of Parliament, which has the final say.

Despite his ministry's basic support for slimming down the Bundesbank's decision-making apparatus, Mr Theo Waigel, the finance minister, seems to be stopping short of giving Mr Pöhl full backing.

This may be because Bavaria has sided with the states of Baden-Württemberg and North Rhine-Westphalia in opposing the Pöhl plan – and Mr Waigel is chairman of the Bavarian conservative party, the Christian Social Union.

The political infighting over the new shape of the Bundesbank may seem highly provincial. But, since it will have a crucial influence over the future of monetary decision-making, the bickering over the Bundesbank is a saga worth following for all of Europe.

David Marsh

TVS fails to find buyer for MTM

By Raymond Snoddy in London

TVS Entertainment, which holds the franchise for independent television broadcasts in the south of England, has withdrawn MTM from the market because it could not obtain a satisfactory offer for the US independent production company.

TVS bought MTM in July 1988 for $320m in advance of a sharp fall in the American programme syndication market.

The company has been attempting to sell MTM to Spelling Productions of the US for about $70m but has been unable to obtain a "clean contract" without conditions.

TVS will now have to include MTM when it constructs its business plan and bids for a new 10-year franchise licence from the beginning of 1993.

The deadline for bids in the competitive tenders for franchises is May 15 and TVS is expected to face opposition from MAI, the advertising and financial service group, and from a David Frost/Virgin consortium.

TVS will continue to finance Evening Shade and Rosie O'Neill, if they are renewed by the US networks and probably the remake of WKRP. All other new shows will be financed one at a time.

TVS is still undecided at the highest level whether or not a new shareholder is needed to add extra financial underpinning to the bid for a new licence.

There is a view that, with strong shareholders such as Canal Plus, the successful French subscription television company, further support is unnecessary.

Brent Walker expected to transfer Trocadero stake

By Michiyo Nakamoto

BRENT WALKER, the troubled leisure conglomerate which underwent a major refinancing last autumn, is expected to hand over its 50 per cent stake in the Trocadero in London and in Blackpool's Tower shopping centre, in an effort to reduce its high level of borrowings.

The group is expected to announce today that it is transferring its shareholding in the two sites to Power Corporation, the Irish property developer, in exchange for total ownership of the island site adjacent to the Trocadero.

Power Corporation is joint partner in both projects through Walker Power, the joint venture company in which the two groups each own a 50 per cent holding.

The move will enable Brent Walker to reduce its £1.4bn of debt by taking its share of the Trocadero's £170m of borrowings off its balance sheet. This is the amount that has so far been drawn down from a £270m facility provided to the Trocadero project.

Brent Walker is also likely to move quickly to dispose of the island site, which consists of a number of separate properties and has a value of about £75m, less unspecified borrowings. While the site was jointly owned, it was unlikely that Power would have agreed to sell the properties on it at current depressed prices. Last year, Brent Walker had been prepared to consider a proposal of between £325m and £350m for the Trocadero, but this was turned down by Power.

The Trocadero development, which is expected to be completed by the end of this year, was valued at between £300m and £350m. On completion, it is expected to bring in £16m in rental income and, together with rent renewal income, is thought to have an estimated rental value of £22m to £23m. The borrowings of Walker Power are off balance sheet as far as Power Corporation is concerned.

MGN float finalised this week

By Raymond Snoddy

MR ROBERT Maxwell, the publisher, will this week decide the final details of the flotation of Mirror Group Newspapers. The float is expected to value the group at between £500m and £700m.

Mr Maxwell is at the New York Daily News, a recent loss-making acquisition which will not be included in the float. He will return to London to take the decision probably by Wednesday.

Between 40 per cent and 49 per cent of the company which Mr Maxwell bought from Reed International in 1984 for £113m is expected to be floated.

The main newspapers are the Daily Mirror, Sunday Mirror, The People, and the Daily Record and Sunday Mail in Scotland.

Minority stakes in two Canadian companies, a commercial printer and a newsprint group will also be included but not The European newspaper.

The Stock Exchange blocked plans to offer shares to Daily Mirror readers.

At the moment the intention is to split the offer equally between small investors in the UK, institutions and overseas investors.

A larger proportion might be made available to American investors because of Mr Maxwell's higher profile in the US following the Daily News purchase.

Williams' US$200m refinancing

By Roy Perry

The raising of US$200m by Williams Holdings may arouse speculation that the acquisitive UK conglomerate is set to embark on further expansion. Only last February it bought Yale & Valor for £330m.

Williams said, however, that the proceeds from the issue to Prudential Insurance of America of fixed rate senior notes at 9.65 per cent, repayable between 2000 and 2002, were intended to refinance existing dollar bank borrowings of US subsidiaries of Yale &Valor. The notes are guaranteed by Williams.

Mr Nigel Rudd, chairman of Williams, said the proceeds wouldreplace bank borrowings, and strengthen the basis for the continuing growth of US businesses.

Tootal in war of words

TOOTAL, the textile group, listed several reasons in another document yesterday why shareholders should reject the £194m hostile offer from Coats Viyella. This was frozen last Friday until the Office of Fair Trading decides whether or not to refer the bid to the Monopolies & Mergers Commission, writes Roy Perry.

Among allegations made by Tootal is that its rival has not demonstrated the mangement skills necessary to integrate acquisitions effectively. It claimed Vantona Viyella and Coats Patons made in total almost £50m more pre-tax profits as separate entities in 1985 than the merged group in 1990.

The "compelling logic" for a merger of the two businesses was flawed, according to Tootal, which asserted that Coats was attempting to disguise its failed textile conglomerate strategy by trying to buy Tootal on the cheap.

Tootal argued that it has the right management, strategy and resources to prosper as an independent group.

Coats Viyella countered swiftly. Mr Neville Bain, chief executive, said yesterday: "Tootal's change of mind on the logic of this merger is breathtaking and raises fresh doubts about its credibility and strategy."

He answered the failed strategy accusation with "the merger of Vantona Viyella and Coats Patons has been successful and its financial results must be judged in the context of world-wide textile cycles since it was consummated."

"The Tootal board has denied shareholders important financial information by withholding its balance sheet and cash flows and details of extraordinary items. What is it trying to hide from them about its financial position," asked Mr Bain.

US court decision on Laidlaw lawsuit

By Bernard Simon in Toronto

A New York court will decide today whether to allow Laidlaw and ADT to speed up proceedings under the lawsuit brought by the Canadian waste management company as part of its efforts to force greater disclosure of ADT's affairs.

Laidlaw, the biggest shareholder, is seeking various injunctions against ADT relating to disclosure of the Bermuda-based company's financial condition and alleged violations of US securities laws.

By proceeding directly to the discovery stage, Laidlaw hopes the case can be finalised before the scheduled reconvening on June 3 of a special ADT meeting in Bermuda. Laidlaw used its 28.4 per cent shareholding earlier this month to force adjournment of the meeting, which was to consider three ADT proposals opposed by the Canadian company.

The fate of the lawsuit has become a central element in negotiations between Mr Donald Jackson, Laidlaw chief executive, and Mr Michael Ashcroft, chairman of ADT, to settle the differences between the two companies.

Mr Jackson told analysts in Toronto on Friday that Laidlaw will review the value of its stake over the next few months to determine whether a writedown is appropriate. In a filing to the US Securities and Exchange Commission, Laidlaw said the market value was about US$400m, less on February 28 than the carrying value of $950m.

Mr Jackson said Laidlaw was unable to develop a strategy for its stake until it had a "better understanding" of the state of affairs at the security and car auction company. Meantime, it was keeping all options open, including adding to or cutting its interest.

He added that ADT's earnings were expected to fall by 5-15 per cent this year largely as a result of a decline in income from unspecified non-operating sources. ADT last month reported a 22 per cent drop in 1990 earnings.

As for Laidlaw's own businesses, Mr Jackson acknowledged that North American waste disposal had turned out to be more sensitive to the business cycle than was previously thought.

TSB the first major to pull the plug

David Barchard on problems in the centralised mortgage market

THE NEWS that Mortgage Express, the centralised mortgage lending arm of the TSB Group, is to withdraw from the market, is likely to be greeted with a stoical lack of surprise among other such lenders.

So far no other large centralised lender has closed its doors, but it is no secret that many have been facing very hard times over the past two years. One of the largest lenders, CIBC Mortgages, set up by Canadian Imperial Bank of Commerce, Canada's second biggest bank with a £2bn UK mortgage book, has been on the market for the past year without finding a buyer.

Other mortgage companies privately admit that they have sustained their profitability only by pricing their mortgages at levels above the market. That encouraged their customers to migrate to cheaper lenders, usually building societies, and pay hefty early redemption penalties of three months interest to do so.

Many, though far from all, of the foreign banks and life assurance groups who flocked to the UK mortgage market during the 1980s would now like to be given the chance to withdraw from it quietly. "About two dozen mortgage books, some of them very small, have been on the market since last summer," says one mortgage industry analyst.

These are forced sales by disappointed new entrants to the market, hoping to cut their losses. They are quite different from well-publicised sales of mortgage books a few years earlier by US lenders under pressure at home, such as the 1986 sale of Bank of America's book to Bank of Ireland or the 1988 sale of Chemical Bank's UK book to BNP.

Few lenders publicly admit their decision to sell their books. Still less do they discuss the reasons which make them want to leave the market.

"Many of the mortgage books I have been offered in the last few months are riddled with doubtful quality lending. As a result, some are offered on terms which virtually amount to paying a buyer to take them off the hands of the original lender. Even so, few of them seem to be finding a buyer. Their owners may wish to exit from the market but they can't," says one mortgage company.

Those centralised lenders who do see a long term future in the UK market, such as Capital Home Loans, a joint venture between Societé Generale and Credit Foncière of France, favour a low profile approach and cautious balance sheet growth for the foreseeable future.

By contrast Mortgage Express was a high profile lender during the height of the housing finance boom. "It grew very fast," admitted Mr Hamish Paton, TSB managing director for banking services, when announcing its closure last week.

At the time Mortgage Express was regarded as one of TSB's strongest performing subsidiaries: one of the most dynamic of the new breed of UK mortgage lenders who expanded rapidly at the expense of the traditional providers of housing finance, the building societies.

The thinking behind these new lenders was simple. They would tap the commercial money markets for funds, and avoid high overheads, selling their mortgages through panels of insurance companies rather than through branches and in doing so undercut the building societies.

The centralised lenders also attracted customers by offering specialised mortgages tailored to the individual needs, previously unknown in the UK and designed to help buyers scramble up the property ladder.

Sir Nicholas Goodison: *imposed a more coherent structure on the group*

While interest rates were low, this strategy worked well. In the second half of 1987, they appeared to be achieving their goals in spectacular fashion.

The building societies' share of the mortgage market was temporarily driven to below 50 per cent, while the new lenders claimed a market share of more than a quarter. Previously unknown names like National Home Loans, The Mortgage Corporation, and Household Mortgage Corporation, rapidly grew books comparable to those of large building societies.

If Mortgage Express had been a building society, it would have ranked eleventh by the size of its book after only three years of existence.

When interest rates moved back above 12 per cent in August 1988, the advantage returned to the building societies with their ability to fund their lending more cheaply from savings. Halifax, the largest society whose rate is still generally followed by others, kept its rates as low as possible in a deliberate squeeze on the centralised lenders.

The societies also quickly learned how to copy the new wave mortgages of the centralised lenders and offer their customers a variety of fixed rate, low start, or deferred interest mortgage products, in place of a single standard mortgage.

Despite this, some centralised lenders fought hard in a hostile market. National Home Loans last year reported pretax profits of £30.2m, down on £33.5m in 1989.

Other centralised lenders were hit by arrears and repossessions as loans made at the height of the mortgage market came unstuck. Mortgage Express was forced to make provisions of £8m last against mortgage arrears. At the same time, it was unable to keep its costs down, a surprising failure for an organisation without a branch network, and its computer systems were regarded within the group as inefficient.

When Mortgage Express lost two of its best executives, Mr Bob Green and Mr Peter Sewell, to a new rival set up by a German bank, its decline seemed to accelerate. As Sir Nicholas Goodison, TSB's new chairman, and Mr Don McCrickard, its chief executive, imposed a more coherent structure on the group, Mortgage Express looked increasingly out of place. When most of TSB's six mortgage arms were united as TSB Mortgages last summer, Mortgage Express was left on the sidelines.

Its demise, nonetheless, marks the end of an era in its industry. Unless the housing market makes a strong recovery this year, it may not be the only large centralised lender to fall victim to the recession.

NEWS DIGEST

William Jacks £0.9m in red

Interest costs and losses from an associate pushed William Jacks, the motor group, £872,000 into the red in the year to January 31. There was a particularly severe downturn in the last quarter of the year, with "very disappointing" sales in the normally buoyant month of January, the company said.

On turnover down at £42.6m (£46.25m) operating profits were reduced to £272,000 (£1.17m). Interest charges amounted to £1.1m (£802,000) partly due to the financing of exceptionally high stocks of unsold new cars delivered on consignment terms. There was a £41,000 (£15,000) loss from associated undertakings.

Losses per share came through at 6.76p (2.09p earnings) and the directors said there would be no dividend until there was an appreciable improvement in trading conditions. They expected a gradual recovery beginning in the second half of the year.

Anglo-Eastern lower

Lower prices realised for its crops and an increase in overheads meant pre-tax profits at Anglo-Eastern Plantations crashed from £911,000 to £235,000 in 1990.

On top of that, the tax charge did not fall in line with profits because of withholding tax on fixed loan interest payments, Mr HJ Renton, chairman, explained. Earnings per share, therefore, dropped from 2p to 0.4p and the dividend is omitted. Last time there was an interim and final of 1p each.

The group harvests rubber, oil palms and cocoa from estates in Indonesia. Rubber and palm oil prices were the lowest since 1986 and cocoa the lowest for ten years. In addition, as the Tasik estate neared maturity, the proportion of overheads chargeable against revenue was increasing.

Volume at Tasik was moving ahead and, if the rise in the palm oil price was maintained, the results were expected to show a "good improvement".

Olives Hldgs falls

Taxable profits at Olives Holdings, the paper making and property development and general investment group, fell from £1.49m to £854,000 in the year to December 31.

However this was struck after an exceptional credit of £1.22m (debit £621,000) relating to the disposal of a holding in a subsidiary, and after losses of £305,000 from the company's 40 per cent interest in Continental Paper, an associated undertaking. Continental also accounted for an extraordinary charge of £218,000 (nil).

Turnover declined to £9.82m (£13.73m) and earnings dropped from 12.98p to 9.06p per share. As Continental is now showing signs of profit, the directors are holding the final dividend at 6p for a 9p total (same).

Tyndall approach

Jupiter Tarbutt Merlin, the fund management group, is understood to have made a bid approach to Tyndall, the quoted financial services company, after picking up a 2.9 per cent stake.

Tyndall announced it had received an approach on Friday after its share price had risen sharply in Thursday's trading. Its shares moved ahead 10p to 60p on Friday.

Jupiter Tarbutt Merlin recently joined the stock market via the reverse takeover of Vantage, an investment trust. Tyndall also has an investment management arm, but recently wrote off its investment in its Australian subsidiary.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Mitsui & Co/Nippon Soda (both Japan)	Unit of Monsanto (US)	Agribusiness	£168m	Monsanto restructuring
Procter & Gamble (US)	Betrix (Germany)	Cosmetics	n/a	Debt-laden Revlon sells
Istituto Mobiliare Italiano (Italy)	Mabon Nugent (US)	Financial services	£14m est	Important step in IMI plans
Brambles Industries (Australia)	Seroul (France)	Road transport	£17m est	Another EC buy for Brambles
Alenia (Italy)/ Aerospatiale (France)	De Havilland (Canada)	Aerospace	n/a	Needs Canadian govt approval
United Biscuits (UK)	*Fazer Biscuits (Finland)*	*Food*	*n/a*	*UB taking 49%*
United Biscuits (UK)	Gyori Keksz (Hungary)	Food	n/a	UB's first East Europe move
Maxwell Communication (UK)/FCR (France)	Maxwell Satellite Communications (jv)	Telecoms	n/a	France Telecom is FCR parent
Toshiba Corp (Japan)/ General Electric Co (US)	GE Appliances (JV)	Electrical goods	£2m	Development and marktng venture
SNC Group (Canada)	*Ginge-Kerr (Denmark)*	*Fire control systems*	*n/a*	*Cash purchase*

Source: FT Mergers & Acquisitions International

Debt reduction played a part in one of last week's largest international mergers and acquisitions, writes Brian Bollen.

Procter & Gamble's agreement to buy the German-based Betrix business from debt-laden Revlon also continued the consolidation of the international cosmetics and toiletries industry. P&G chairman and chief executive Edwin Artzt said the acquisition, part of a US$1.14bn all-cash package also involving the sale of Max factor and other important brands, is a good fit with the company's strategic game plan, making it a global player.

US chemicals group Monsanto advanced its restructuring, selling its animal feed ingredients business to Mitsui and Nippon Soda of Japan. Monsanto said the disposal would allow it to focus more tightly on its core strengths and better position it for future growth.

Istituto Mobiliare Italiano continued the expansion of its international activities with the purchase of a 51 per cent stake in US securities firm Mabon Nugent. This is the first significant acquisition by an Italian company in the US financial sector since Banca Commerciale Italiana failed to buy Irving Trust in 1988.

The purchase of Canada's De Havilland by Alenia (Italy) and Aerospatiale (France) marks another step in the attempt by European aircraft manufacturers to reduce their dependence on the Airbus product range.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.04.91: Pool purchase price £/MWh	Final Prices for Trading on 17.03.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.79	15.66	15.66
0100	15.77	24.23	28.78
0130	16.24	24.23	26.77
0200	18.91	24.23	26.77
0230	19.28	24.23	26.80
0300	19.28	17.06	19.41
0330	18.91	15.60	15.60
0400	18.91	15.41	15.41
0430	15.88	15.25	15.25
0500	15.79	15.25	15.25
0530	15.85	15.50	15.50
0600	15.85	15.50	15.50
0630	15.85	15.48	15.48
0700	15.85	15.48	15.48
0730	15.85	15.50	15.50
0800	16.16	18.85	19.32
0830	19.09	15.51	15.51
0900	19.09	16.95	19.32
0930	19.09	18.10	20.63
1000	19.09	18.10	20.52
1030	20.00	19.33	21.79
1100	20.41	20.67	23.17
1130	22.14	20.97	23.47
1200	24.32	20.97	23.46
1230	24.32	20.97	23.45
1300	24.32	20.97	23.45
1330	24.32	20.96	23.46
1400	19.48	19.66	22.13
1430	19.48	19.86	22.13
1500	16.16	15.67	15.67
1530	16.16	15.51	15.51
1600	16.16	15.51	15.51
1630	16.16	15.51	15.51
1700	16.16	15.56	15.56
1730	19.48	15.60	15.60
1800	19.48	19.65	22.11
1830	19.48	20.30	22.76
1900	19.48	21.52	24.00
1930	19.48	21.52	23.96
2000	19.48	21.52	23.98
2030	21.69	21.52	24.01
2100	24.59	21.52	24.03
2130	24.89	21.52	24.04
2200	24.59	20.30	22.76
2230	22.27	19.02	21.43
2300	20.42	18.55	20.94
2330	16.16	16.14	16.14
2400	16.12	15.48	15.48

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.04.91: Pool purchase price £/MWh	Final Prices for Trading on 16.03.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.85	16.20	16.20
0100	15.83	19.02	20.47
0130	16.16	18.77	20.21
0200	19.48	19.02	20.47
0230	20.42	18.20	19.62
0300	20.42	15.60	15.60
0330	17.06	15.51	15.51
0400	16.25	15.48	15.48
0430	16.18	16.27	16.27
0500	16.16	15.27	15.27
0530	16.01	15.48	15.48
0600	16.83	15.53	15.53
0630	15.85	16.02	16.02
0700	17.06	16.68	16.68
0730	20.36	19.64	21.14
0800	23.21	19.57	21.05
0830	24.13	22.50	24.07
0900	24.55	23.93	25.53
0930	24.54	24.17	25.76
1000	24.52	24.17	25.76
1030	24.31	24.17	25.77
1100	24.10	23.40	24.97
1130	24.05	23.48	25.06
1200	23.59	23.48	25.05
1230	23.38	23.48	25.05
1300	23.21	23.49	25.06
1330	23.07	20.14	21.60
1400	22.34	20.14	21.60
1430	22.29	20.14	21.60
1500	22.29	20.14	21.60
1530	22.29	19.64	21.10
1600	22.29	22.44	23.98
1630	26.56	22.44	23.94
1700	26.56	25.04	26.59
1730	26.56	25.04	26.59
1800	23.35	25.04	26.59
1830	20.52	25.50	27.07
1900	19.74	25.50	27.06
1930	19.53	25.50	27.04
2000	19.53	25.50	27.06
2030	24.26	21.29	22.76
2100	24.26	21.29	22.77
2130	24.26	19.69	21.13
2200	24.26	19.69	21.13
2230	19.56	18.62	20.23
2300	19.53	18.62	20.24
2330	16.33	16.34	16.34
2400	16.16	15.48	15.48

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMPANIES AND FINANCE

Nippon Steel moves into computer production

By Alan Cane

NIPPON STEEL, the world's largest steel producer, is moving into computer manufacturing as part of a plan to diversify into electronics and information systems.

Its first product, to be launched in the UK tomorrow, is a "notebook" computer weighing less than six pounds but with all the functions of a desk-top personal system.

The computer, called "Librex" is being launched in the US and UK but not yet in Japan. Mr Takashi Iwamoto, president of Nippon Steel Computer based in Langley, Berkshire, said the Japanese market for small computers was dominated by NEC. He said competition in the notebook sector was especially intense.

New competitors stood a better chance of building a market presence in the US and Europe, where notebook computers are only now becoming popular.

He said the company would eventually manufacture the notebook machines in Europe. It had recruited Mr Ian King from Toshiba to manage the UK operation and Mr Andrew Carver from Compaq, the leading US personal computer supplier, to head European sales and marketing.

Nippon Steel, with annual sales in excess of $20bn, is entering the computer business as a response to slow growth in its traditional business. One of the largest users of industrial computers in Japan, it has already established joint ventures for marketing equipment from US companies.

Westinghouse on target with 53% profit plunge

By Karen Zagor in New York

WESTINGHOUSE Electric, the diversified US technology group, has reported a 53 per cent drop in first-quarter earnings, in line with company forecasts.

The company recently announced a restructuring, particularly of its troubled financial services subsidiary. In this area, it plans to sell or liquidate about $3bn in underperforming assets over the next few years.

Net income for the three months ended March 31 was $98m, or 34 cents a share, on revenues of $2.78bn, against profits of $210m, or 71 cents a share, on revenues of $2.86bn in the 1990 first quarter.

Mr Paul Lego, chairman, said the company expected economic conditions to improve, particularly in the second half.

Operating profits in the first quarter were $157m, giving an operating margin of 5.7 per cent, against $294m and a 10.3 per cent margin in the same period last year.

The company's broadcasting business had substantially lower operating profits. Westinghouse blamed this on the recession and the effect of the Gulf war on advertising. Revenues were essentially flat.

Recession also hurt operating profits at Westinghouse's Electronic Systems unit, particularly in the non-defence area. The deterioration was attributed to start-up costs.

The company's financial services also had worse operating profits for the quarter, thanks to a lack of gains from the sale of equity interest in financing transactions, and significantly higher levels of non-earning receivables.

Westinghouse's main financial services subsidiary, Westinghouse Credit, had net income of $21.2m on revenues of $255.4m, against $42m on revenues of $282.8m last time.

Westinghouse, along with the rest of the US financial services industry, has been hit by sharp erosion in property, junk bonds and highly-leveraged companies.

The company's power generation business, which turned in a strong fourth quarter, had substantially lower operating profits. The company attributed these to non-recurring licensee income in the 1990 first quarter.

Swiss arms group seeks partner

By Our Financial Staff

OERLIKON-BUHRLE, the Swiss industrial and armaments group, plans a radical restructuring of capital to absorb heavy losses and open the way for an outside partner to buy into the group's troubled defence business.

The company said the measures, which involve a 60 per cent capital reduction and the issue of new shares, were needed to return its defence division to profit. It said talks with several potential partners were under way.

Oerlikon, which has run into losses mainly because it failed to find buyers for its Adats anti-aircraft weaponry, has been under reorganisation by a specially-appointed task force since last September, following the resignation of chairman Mr Dietrich Burle.

The Adats guided missile system was developed at a cost of some SFr1bn ($704.2m). During the 1980s, Oerlikon's defence division accumulated losses of more than SFr1bn.

Oerlikon announced in January it planned to sell a majority shareholding in its defence business, and that talks to this end were under way.

The new shares, representing SFr300m nominal of bearer shares, will be taken up by the banks as payment for some SFr300m of group debt. Later this year the banks will offer the new shares to Oerlikon shareholders.

Oerlikon in 1990 made an operating loss of SFr91.2m, up from a deficit in 1989 of SFr41.3m, which included a loss of SFr100m by the defence side.

Earlier this year, Oerlikon said operating losses for 1990 would fall between SFr70m and SFr100m.

Alcoa posts fall in first-quarter earnings of 34%

ALUMINUM Company of America (Alcoa), the world's biggest producer of aluminium whose performance is a gauge of America's industrial economy, has posted a 34.7 per cent drop in first quarter earnings on a 9 per cent decline in revenues, *writes Karen Zagor.*

Net income for the first three months of 1991 was $97m on revenues of $2.41bn, against earnings of $148.6m on revenues of $2.64bn a year ago. Earnings per share slid 32.5 per cent to $1.14 from [illegible] The 1991 earnings included favourable translation and exchange adjustments of $10.2m or 12 cents a share.

In the 1990 first quarter, Alcoa's earnings included adjustments of 5 cents a share.

First Chicago falls 28%

By Karen Zagor

FIRST Chicago, the eleventh biggest US bank, has posted first-quarter net income of $49.5m, down 28 per cent from $68.6m in 1990, as higher non-performing assets, particularly in real estate, put pressure on earnings.

Earnings per share dropped 32 per cent in the quarter to 63 cents, in line with expectations.

Mr Barry Sullivan, chairman, said the earnings reflected the overall sluggishness in the US economy.

First Chicago's non-performing assets rose in the first quarter, mainly in the real estate portfolio.

Non-performing assets at the end of March were $1.6bn, up from $1.4bn at the end of 1990.

Barnett Banks, the leading Florida banking company with $32.1bn in assets, turned in first-quarter net earnings of $18.3m, or 28 cents a share, against $15.5m or 25 cents a year earlier.

VW up slightly to DM1.04bn

VW, the German car group, announced an unchanged dividend of DM11 per ordinary share and DM12 per preference unit after net profits for last year showed only a slight rise, writes Andrew Fisher in Frankfurt.

VW said net profits in 1990 were slightly above the DM1.04bn ($619m) of 1989. Its earnings suffered last year from tougher competition, problems in South America, and the strong D-Mark.

In the first nine months, pre-tax profits were 19 per cent lower at DM1.7bn.

Executive Life awaits decision by regulators

By Nikki Tait in New York

THE NEW York State insurance department said it would decide early this week what action to take over Executive Life of New York.

Executive Life of New York is the smaller of the two main operating units within First Executive, the big Californian life insurance company. The Californian Insurance Department seized control of First Executive's larger operating unit, Executive Life, last week.

Problems at First Executive stem from the insurer's heavy exposure to "junk bonds". The company was a big customer of Drexel Burnham Lambert, the investment bank which pioneered the growth of the high-yielding securities.

First Executive's operating units have some $50bn of life insurance in force.

Dresdner held back by east German expansion

DRESDNER BANK, Germany's second largest commercial bank, reported only a modest rise in group profits for 1990 after a big rise in spending caused by its expansion in east Germany, writes Andrew Fisher in Frankfurt.

Partial operating profits, which exclude trading on the bank's own account, were 4 per cent higher at DM1.95bn ($1.2bn).

Mr Wolfgang Röller, chief executive, said the bank's trading on its own account amounted to about DM500m in an average year. Trading income did not reach the high level of 1989 because of the world stock market downturn, but showed a sharp rise on the foreign exchange side.

Dresdner's net interest income was 12 per cent higher at DM4.7bn, with fee income up by only 1.7 per cent to DM1.8bn, reflecting the decline on securities markets. Administration costs rose 11 per cent to DM4.6bn, with much of the rise stemming from expansion in east Germany.

Mr Röller said Dresdner hoped to agree planned cross-shareholdings with Banque Nationale de Paris, the French state-owned bank, now the French government had made such a step easier. Commerzbank had also said it hoped soon to announce a cross-holding with Crédit Lyonnais.

Dresdner wrote down its securities holdings by more than DM500m. It also increased lending risk provisions, which now cover 60 countries.

About 60 per cent of its sovereign debt of DM5.5bn is now covered by such provisions, which include the Soviet Union. Dresdner's net profits were up 42 per cent to DM921m due to the incorporation of Dresdner Bank Berlin.

GERMAN BANKS' RESULTS FOR 1990 IN DM

Bank	Total operating profit	*Partial operating profit	Net income	Net interest income	Net fee income	Dividend
Deutsche Bank	5.13bn(+9.7%)	4.53bn (+17%)	1.07bn (-20.4%)	9.1bn (+20%)	3.6bn (+29%)	14(14)
Dresdner Bank	(na)	1.95bn (+ 4 %)	921m (+42 %)	4.73bn (+11.9 %)	1.85bn (+ 1.7%)	12 (12)
Commerzbank	(na)	1.39bn (+18.3 %)	557m(-0.01 %)	3.43bn (+13.1 %)	1.34bn(+11.2%)	10(9)
Bayerische Vereinsbank	(na)	934m (+10.7 %)	360m (+21.3 %)	2.57bn (+29.8 %)	698m(+40.4 %)	13(13)
Bayerische Hypo	1.07bn(+2 %)	1.05bn (+4.3 %)	313m (+10 %)	2.34bn (+8.1 %)	453m (+6.1 %)	13(13)

*Excluding own account trading

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Turkish bank leads return to market

WITH the Gulf crisis keeping Turkish borrowers away from the syndicated loans market, last week heralded the first significant financing for a Turkish name in several *months.*

Turkiye Is Bankasi, Turkey's largest privately-owned commercial bank, is arranging a one-year $100m facility through Chase Investment Bank. The deal will provide money for the bank's Turkish customers to finance exports. Turkiye Is Bankasi has not borrowed in the Euroloan market since 1988.

Chase, the underwriter and arranger of the loan, is now in the process of finding other banks to sub-underwrite slots of $15m with an underwriting fee of 15 basis points. Once *this has been arranged, Chase* will start syndicating the loan.

Bankers said the interest margin was 62½ basis points over the London interbank offered rate (Libor), and there was a drawing down fee of 12½ basis points (the drawing down period is three months). Bankers point out that a 75 basis point total on each drawing denotes a reasonably aggressive pricing for a Turkish borrower. The commitment fee on the undrawn portion is 37½ basis points.

During the Gulf war, the syndicated loan market was virtually closed to Turkish industrial borrowers. Terms were particularly unfavourable, creating, according to bankers, a lot of pent-up demand. Bankers point out that the pricings for the handful of small loans which did emerge were rather high. They point to Esbank of Turkey, which has a $25m one-year loan arranged by the Bank of New York Capital Markets with an interest margin of *100 basis points.*

As the Turkiye Is Bankasi deal is the largest facility to emerge from Turkey for several months, its progress will be watched with interest by other Turkish borrowers waiting to come to the market.

American General, the US insurance and financial services group, arranged a much larger facility last week: a $2.6bn one-year transaction through Credit Suisse First Boston and Chemical Bank.

The facility is a back-up to *the company's commercial* paper programme; in essence a standby credit which American General can fall back on in the event of the US commercial paper market drying up again (which is what happened after the default of Wang Laboratories on the repayment of its short-term debt in 1989). There is a facility fee of ⅛ point, and the interest margin is ¼ point over Libor.

Mirror Group Newspapers, the company that Mr Robert Maxwell plans to float soon, has arranged a £150m, three-year revolving credit intended for the company's use once it is a public company. It is an offer with four joint arrangers – Barclays Bank (which is also the book runner doing the actual syndication), Crédit Lyonnais, Lloyds Bank and Midland Bank. Terms have not been disclosed.

A clutch of Italian borrowers has come to the syndicated loan market in recent weeks. Of these, Banca Nazionale del Lavoro's investment arm (BNL) is arranging a medium-term Ecu430m ($546m) syndicated loan for Sezione Autonoma di Credito Fondiario di BNL, its mortgage finance arm.

BNL is syndicating an Ecu227m tranche with a seven-and-a half-year maturity. The commitment fee is 15 basis points and the interest margin is 32½ basis points over Libor for the first three years and 35 basis points over Libor thereafter.

Sara Webb

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	1,360.2	0.0	141.0	12,275.0
Prev	0.0	175.0	59.0	9,768.4
Other	2,462.0	130.8	35.6	11,397.4
Prev	1,214.1	297.3	0.0	5,130.0

Secondary Market

	Straights	Conv	FRN	Other
US$	18,711.6	661.2	8,873.5	9,427.5
Prev	14,476.1	1,086.0	6,901.5	5,577.5
Other	27,247.4	1,825.9	3,298.1	37,919.9
Prev	26,974.8	639.8	2,383.4	37,827.3

	Cedel	Euroclear	Total
US$	20,088.1	31,361.9	51,450.0
Prev	13,255.5	24,788.0	38,043.5
Other	33,094.2	51,182.9	84,277.1
Prev	32,841.9	41,624.8	74,466.7

Week to April 11, 1991

Source: AIBD

INTERNATIONAL BONDS

Torpor as investors rethink asset allocation strategies

THE international bond market appears to be drifting further into limbo following a period of almost unprecedented new issue activity during February and early March. The flurry of new issues immediately after Easter could not be sustained, making last week perhaps the most frustrating for syndicate managers since before the Gulf war.

Added to the usual complaints that arbitrage opportunities in the currency and interest swaps market are not available to borrowers, deeper factors are stifling activity.

One explanation for the torpor is that many of the institutional investors which dominate the Eurobond market are currently re-formulating asset allocation strategies for the coming quarter. These reviews include decisions on types of asset (equities, bonds, cash) and on currencies within each category.

This strategy-making is important for Japanese institutional investors, after their financial year end on March 31. Moreover, the attitude of Japanese investors this financial year is central to the level of activity in the international bond market.

Daiwa, the second largest Japanese securities firm, estimates that Japanese life insurance companies will cut their holdings of foreign securities from 30 per cent of total portfolio to just 17 per cent this year. The figures are based on an annual survey of institutional investors which usually provides an accurate indication of future investment patterns.

Moreover, new funds available to these investors for allocation will fall from Y12,000bn in the last financial year to Y10,000bn in fiscal 1991.

The investment behaviour of the life insurance companies is a reasonable guide to the asset allocation plans of other Japanese institutions. For example, the larger pension fund investors and City banks might be expected to follow a similar pattern of asset allocation in the coming year.

Such figures do not promise a bumper year for the international bond market. More importantly in the near term, the process is taking place against uncertainty over the economic prospects in general, and the direction of interest rates in particular, in many of the big economies.

A surprise factor has been the speed with which outright economic gloom has been replaced by budding optimism. The conclusion of the Gulf war with a minimum of economic disruption has added to hopes for higher growth and fuelled fears of *higher inflation.*

Many analysts now expect the US economy to rally in the second half of the year, which may cause the Federal Reserve to put a floor on its recent aggressive easing of monetary conditions. Against this, bond market analysts in Europe remain gloomy about the prospects for the US economy, and are therefore hopeful that rates will come down further.

In particular, there is a school of thought that the lowering of US interest rates will benefit the banking system rather than promote growth in the economy as a whole. The difference between the Fed funds rate (at which liquidity is supplied to the commercial banking system) and the prime rate (on which much personal lending is based) currently stands at around 300 basis points, high by historic levels. Although this has restored lending margins in the US banking system, it may not alleviate the "credit squeeze" for US firms.

"The normal transmission mechanism from lower interest rates into increased economic activity is not expected to work fully in this cycle because of the high level of debt held by the personal and corporate sectors," said Mr Gerard Lyons, chief economist at DKB International. "The banks remain reluctant to lend despite recent rate cuts."

In European markets it is unclear how far monetary conditions in most economies can ease while inflationary pressures for higher German interest rates remain strong.

Despite the gloomy statements by Bundesbank president Mr Karl-Otto Poehl, the German discount rate has not been raised from the 6½ per cent level set on January 31. However, Thursday's meeting of the Bundesbank council will again be preceded by intense speculation.

Against this background, the problem for bond market investors lies in judging how far UK, French and other authorities can relax monetary conditions.

The current weakness of the D-Mark within the European exchange-rate mechanism gives them some room for manoeuvre. The UK government's decision to shave interest rates by a further ½ percentage point to 12 per cent on Friday proves the point. However, investors are aware that there are limits to how far monetary policies can diverge within the context of exchange-rate co-operation.

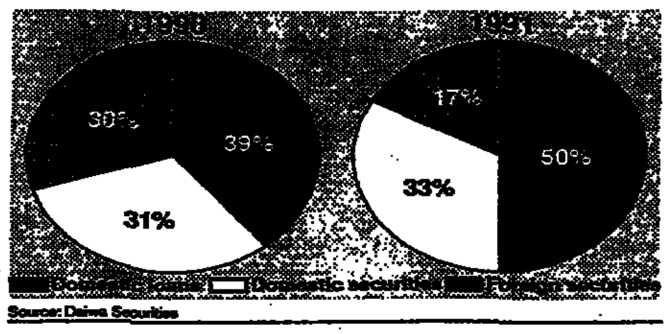
Overall, the outlook for fixed interest markets *vis-a-vis* other types of assets looks more clouded than even two months ago. Equally, the foreign exchange markets appear to be at a watershed following the dollar's startling surge during March.

"On a 12-18 month view, bond yields are expect to be lower in all countries except Japan," said Goldman Sachs in its latest World Investment Strategy. "However, in the short term we expect bond yields to actually rise. A perception that activity in the US is about to pick up has led to fears that the Federal Reserve will stop easing. Further, the worsening prospects for inflation in Germany might lead to rates rising there."

Simon London

Japanese Life Insurance Companies

Asset allocations



Source: Daiwa Securities

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Province of Quebec†	300	2001	10	9	99.81	SG Warburg Secs.	9.030
Yokogawa Electric(b)♦†	150	1995	4	4	100	Daiwa Europe	4.000
Tadano(c)♦†	180	1995	4	4	100	Kankaku Europe	4.000
BP America(d)†	200	2001	10	8½	99.138	Lehman Bros.	8.632
Asahi Denka Kogyo(h)♦†	100	1995	4	4	100	Yamaichi Int.	4.000
Intec Inc.(h)♦†	100	1995	4	4	100	Nikko Secs.	4.000
NTN Corp♦	280	1995	4	4	100	Nomura Int.	4.000
Credit Saison Co.♦	150	1996	5	4½	100	Nomura Int.	4.500
Nacional Financiera(k)†	125	1996	5	10	100	JP Morgan Secs.	10.000
Daiwa House Ind.♦	350	1996	5	4½	100	Nomura Int.	4.500
Denki Kagaku Kogyo♦	150	1995	4	4	100	Nikko Secs.	4.000
Minolta Camera(l)♦†	200	1998	7	5½	100	WestLB	5.500
Hydro Quebec†	600	2001	10	8⅝	101½	WestLB	8.399
Daiwa House Ind.♦	400	1996	5	4½	100	Daiwa Europe GmbH	4.500
Union Bk of Finland†	300	1994	3	9	101⅞	CSFB Effectenbank	8.289
Kubota Corp(l)♦†	200	1995	4	4	100	Yamaichi Int.GmbH	4.000
Nisshin Steel(m)♦†	100	1995	4	4	100	Nikko Secs.GmbH	4.000
STERLING							
Oes'ische.Postsparkasse†	100	2001	10	10¾	99⅞	UBS Phillips & Drew	10.865
All.& Leicester Bld.Soc.†	100	1997	6	11⅜	101¼	CSFB	11.079
ECUs							
IBM Int.Finance NV(e)†	60	1994	2⅔	9¼	(e)	Paribas Capital Mkts.	8.830
CANADIAN DOLLARS							
Prudential Funding Corp†	100	1996	5	10	101½	Hambros Bank	9.606
McDonald's Rest.Canada†	100	1996	5	10⅛	99.72	Merrill Lynch Int.	10.193
FRENCH FRANCS							
Compagnie Bancaire†	1bn	1994	3	9.50	100.825	Credit Lyonnais	9.181
Yamanouchi Pharm.(h)♦†	1bn	1995	4	4⅞	100	Credit Lyonnais	4.875
D-MARKS							
Banque Worms SA★★†	100	2001	10	8½	100½	Nord/LB	8.424
National Bk of Hungary(f)†	150	1996	5	10½	100	Commerzbank	10.500
Tosho Printing(a)♦†	100	1995	4	4	100	Nikko Secs.GmbH	4.000
SWISS FRANCS							
Bankers Tst.(Frankfurt)★★†	30	1992	-	13	100	Bank Vontobel	13.000
Enso Gutzeit†	100	1998	-	7	102	Credit Suisse	6.519
Hasegawa(j)★★§†	30	1995	-	4¾	100	Yamaichi Bk (Switz)	4.743
Oes'ische.Kontrollbank(l)†	150	2001	-	6⅝	102	Wirtschafts & Privatbk.	6.349
LIRE							
Barclays Bank†	150bn	1996	5	12⅞	101.95	Banco di Roma	11.836
Mediobanca Int.(n)♦†	300bn	1996	4¾	9	100	Mediobanca	8.993
FINNISH MARKKA							
Okobank†	100	1996	5	12¾	100¾	Citibank AG	12.539
YEN							
Nissan Motor Co.†	10bn	1998	7	7.2	101½	Nikko Secs.	6.922
LUXEMBOURG FRANCS							
Postipankki†	750	1998	7	9⅞	102	Credit Europeen	8.978
Credito Romagnolo(g)★★†	300	1996	5	9⅝	102	Banque Paribas (Lux.)	9.109

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ⊕Variable rate notes. †Final terms. a) Exercise premium fixed at 2.57%. Non-callable. b) Exercise premium fixed at 2.52%. Non-callable. c) Exercise premium fixed at 2.51%. Non-callable. d) Yankee issue. Non-callable. e) Fungible with existing Ecu150m deal launched February. Fixed price reoffer - 100⅞%. Non-callable. f) Issue launched 5/4/91. Fungible with existing DM200m deal launched March. g) Fungible with existing LFr700m deal launched 5/4/91. h) Exercise premium fixed at 2.5%. Non-callable. i) Exercise premium fixed at 2.58%. Non-callable. j) Put option 30/9/93 at 107¼% to yield 7.522%. k) Put option at par after 2 years. Amount increased from $100m. l) Callable 15/5/99 at 101% & 15/5/00 at 100½%. m) Exercise premium fixed at 2.56%. Non-callable. n) Put option at par not earlier than 18 months after 30/4/91. Note: Yields are calculated on AIBD basis.

CONTRACTS & TENDERS

World Bank
Request for Information
Trading Support System RFI No. 91-252

The World Bank is requesting information from contractors for the prequalification of firms interested in participating in a procurement for a software system which meets our settlement and control requriements.

The following is a definition of the instruments and currencies for which the Bank will require support. The settlement and control system must satisfy the following mandatory requirements:

Appropriately handle the settlement and control (200-500 trades, $6-$20 billion per day) for the following instruments:

US dollars:	Non US dollars
Overnight and term Fed Funds	Term Euro Time Deposits
Domestic Certificates of Deposit	Term Domestic Time Deposits
Agreements	Certificates of Deposits
Euro Notes and Bonds	Bankers Acceptances
Floating Rate Notes	Floating Rate Notes & Bonds
Yankee Bonds	Euro Bonds
Agency Discount Notes	Treasury Bills and Bonds
Agency Bonds	Agreements
Treasury Bills, Notes & Bonds	
Treasury Zero Coupon	
Mortgage Backed Securities	

US dollars and non US dollars: Currency and Interest Rate Swaps and Futures Options.

Provision for sub-portfolios and trading accounts must be provided in multiple currencies, as defined in Request for Information (RFI).

Application development "tool kits" for accessing the data base and network are extremely important.

RFI's will be sent to interested firms from member countries of the World Bank, from Switzerland and from Taiwan, China. RFI's are expected to be available April 17, 1991.

Contractors must have a demonstrable trading support system in place.

Following evaluation of responses to the RFI, which may include site visits and 'figuration' testing, selected offerors only will be sent a Request for Proposal.

For additional information, contact Mrs Hilary Kiell at the International Bank for Reconstruction & Development, Material Management Division, Room L4500, 1818 H Street, N.W. Washington, DC 20433, telephone (202) 473-1118 or facsimile (202) 676-9292.

The World Bank reserves the right to reject and all submittals without recourse.

LEGAL NOTICES

County Displays & Exhibits (Eastern Limited (In Administrative Receivership)

Registered Number 1298620
Trading name: C D E
Nature of business: Exhibition Stands Manufacturer
Trade classification: 25
Date of appointment of Administrative Receiver(s): 8 April 1991
Name of person appointing the Administrative Receiver(s): Barclays Bank Plc
Brian Mills and Peter Anthony Lawrence
Joint Administrative Receivers
(Office holders no(s) 2305 and 6829) of
Booth White,
2 St. Peters Street,
Ipswich
IP1 1XB

BURNYEAT LIMITED

57244
Nature of business: Ships' Chandlers
Date of appointment of administrative receiver(s): 28 March 1991
Name of person appointing the administrative receiver(s): Midland Bank PLC
John Martin Iredale and Robin Michael Addy
Joint Administrative Receivers
(office holder no(s) 2104 and 1031 of Cork Gully, Shelley House, 3 Noble Street, London, EC2V 7DQ

COMPANY NUMBER 1874738
REGISTERED IN ENGLAND
DUDLEY STEEL SERVICES LIMITED
- IN RECEIVERSHIP -

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at THE GRAND HOTEL, COLMORE ROW, BIRMINGHAM on 26 April 1991 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the function conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us the address show above, no later than noon on 25 April 1991, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 3 April 1991

Ian N Carruthers
for J F Powell and Ian N Carruthers
Joint Administrative Receivers

CLUBS

EVE has outlived others due to policy of fair play and value for money. Supper from 10-3.30 am. Glamorous hostesses, exciting cabaret. 189 Regent St. W1.071-734 0557

هدية من الأهرام

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Oversupply fears as tap stock sits

IF ONE matter worried the gilts market last week, it was the fear of oversupply. The Bank of England's £800m new tap stock was undersubscribed on Wednesday and, as if that was not enough, the market faces the prospect of an auction in just over a week.

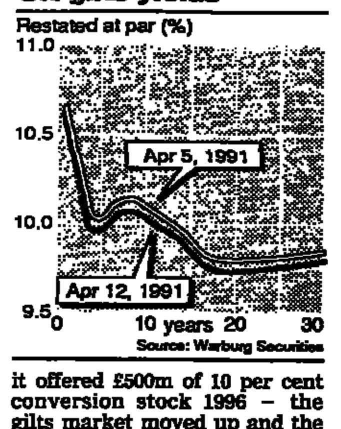
The gilts market has been directionless in recent days: Friday's news that the UK Retail Prices Index rose at an annual rate of 8.2 per cent in March, down from 8.9 per cent in February, was welcomed, but the half-point cut in the base rate had already been discounted. On Friday, gilts prices closed lower, ending half a point down on the day.

The latest tranche of Treasury 9 per cent stock, 2008, offered on Wednesday, had a minimum price of 94⅛, but the existing stock was trading at about half a point below that. As one trader put it, only a fool would buy from the Bank of England when they could buy the same stock for less in the market. One of the largest market makers said it did no business in the tap stock.

The Bank, however, pointed out that the last time a tender was thought too highly priced – which was in January when

UK gilts yields

Restated at par (%)



Source: Warburg Securities

it offered £500m of 10 per cent conversion stock 1996 – the gilts market moved up and the whole tranche was taken up within two days at more than the minimum tender price.

So the latest tap stock will sit awaiting buyers until either the market moves up and the price of the existing 9 per cent stock 2008 passes the 94⅛ minimum tender price, or the Bank cuts the price. Many of those in the market have been asking themselves why the Bank set the price at 94⅛ – and most have concluded that it may have misjudged the market trend.

Furthermore, many are curious as to why the Bank chose to tap the longer end of the market. The Bank itself says there is strong demand for long-dated gilts, particularly from overseas investors. It is true that foreigners have been attracted to the gilts market in recent weeks, lured by yields at the short end of the market and the strength of sterling. Yet market makers point out that most foreign investors – except US investors who, like UK investors, are used to maturities of over a decade – feel more comfortable with medium-dated government bonds, that is bonds of a similar maturity to those in their domestic markets.

Consequently, there has been much speculation on the subject. Mr John Shepperd, economist at S.G. Warburg, says that issuing a 9 per cent gilt at the long end of the market makes the government's funding look rather expensive, especially if the government is forecasting a fall in headline inflation to 4 per cent by the end of the year.

Assuming the government believes its own forecasts, it must be under considerable funding pressure and therefore does not have the luxury of simply concentrating on the short end of the market. With some economists forecasting that the government will have to borrow up to £12bn this year, it may be that gilts issues will have to take place across a range of maturities, even if the bias is towards the short and medium maturities.

Another suggestion is that the Bank of England knows it has a lot of funding to do over the next few months and wants to discourage corporate borrowing at the long end of the market – hence its decision to issue at that end of the market early on. There is already a fairly good supply of corporate bonds at the long end of the market and many more companies may want to borrow there if base rates continue to fall.

Tomorrow, the Bank will announce details of the gilt auction scheduled for April 24. So far, all that is known is that between £1bn and £2bn of stock will be issued, and that the maturity will be of up to seven years. Mr Shepperd points out that yields at the short end of the market may have to increase if the market is to absorb such a large amount of stock.

Sara Webb

AUSTRALIAN BONDS

Employment figures trigger sharp rally

LAST week the Australian bond market gave investors some of their best action for months. Long-term treasury bond yields dropped 26 basis points during hectic trading to 11.08 per cent, their lowest level for 11 years, and three-year bonds slid under 11 per cent to 10.9 per cent.

Last week's yield contraction turned suddenly into a full-blooded rally when institutional traders and investors realised they had to grab what could be the last of some of the developed world's highest long-term returns before yields and the economy fell even further, into a recessionary heap.

The buying, when it came, was all the more frantic because a smaller-than-expected treasury bond tender of A$800m (US$630m) announced early in the week suggested that stock would be scarcer than earlier anticipated.

After three years of federal government surpluses and large-scale bond buybacks by Canberra, blue chip Commonwealth bonds are now in short supply. Aggressive buying by Japanese institutions also heightened fears that trading stock would be limited.

The catalyst for the rush on bonds and, to a lesser extent, three-month securities was news that employment had fallen by a further 82,400, and that the unemployment rate had risen from 8.7 per cent to a worrying 9.2 per cent. To put this employment drop in perspective, it would be equivalent to a deterioration of 1m jobs in the US.

The market believes this sharp fall in employment will lead to inflation – currently 6.9 per cent – falling faster and further than expected.

According to Mr Vince Le Blanco, a dealer at Bankers Trust Australia, the country is one of the few which has brought recession upon itself rather than being dragged down by the downturn in the US, UK and Canada.

"It is out of step with the other industrialised economies. Australian inflation is falling faster than these other western economies so everyone is climbing in for the long bonds."

Traders had begun the week buying long bonds with some confidence when the Reserve Bank clipped 0.5 per cent off the official cash rate, reducing it from 12 to 11.5 per cent.

Thursday's alarming jobless statistic convinced the market that further easing of official rates would follow and so turned the buying into a stampede.

Mr Robert Credano, a fixed interest analyst at Macquarie Bank, says lower inflationary expectation had been responsible for reducing long-term bond yields, and the easing of monetary policy triggered the drop in short-term rates.

"The reduced inflationary outlook has had the greater effect on the long end of the market," he said.

This change of sentiment over the week is quite significant, given that the market had been reluctant to push yields down this far in either the 1986 or 1983 recessions.

After three years of punishing official interest rates and heart-breaking current account deficits, the authorities appear finally to have snapped the back of inflation, but at the cost of breaking the economy.

This success has come at a further cost of the growing number of jobless in Australia, but for the bond market the news is all good.

Mark Westfield

US MONEY AND CREDIT

Confusion over Fed's slow reaction

WILL the Federal Reserve ease again? Yes, if you have faith in Wall Street's army of bond analysts, most of whom are predicting a cut in US interest rates some time in the next few days.

Last week's better-than-expected inflation news – producer prices fell 0.3 per cent and consumer prices 0.1 per cent during March – should have been the green light the Fed was waiting for.

The numbers were encouraging. The 0.1 per cent decline in the consumer price index was the first monthly fall since 1986. The data showed moderation in housing prices continuing; commodity prices still falling; a slowdown in the growth of prices for services; and a sharp deceleration of core inflation, minus food and energy prices.

Mr Ed Yardeni, analyst at CJ Lawrence, now predicts annual inflation for the year will be 3.2 per cent, a figure even the fiercest of anti-inflation hawks could live with.

The dollar's recent strength has also been a stroke of luck for the monetary authorities. An appreciating US currency will negate the threat of imported inflation, and should give the Fed additional room to lower borrowing costs.

However, the failure of the Fed to respond to all the good news with an immediate cut in interest rates has upset financial markets, which had been expecting – or rather, hoping – that Friday morning would see either the discount rate or

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12 month Low
Fed funds (weekly average)	5.00	5.75	5.75	11.00	2.00
Three-month Treasury bills	5.66	5.86	5.96	7.94	5.54
Six-month Treasury bills	5.84	5.97	6.06	8.04	5.62
Three-month prime CDs	5.98	6.13	6.30	9.01	5.90
30-day Commercial Paper	5.80	6.05	6.20	8.28	6.05
90-day Commercial Paper	5.80	5.95	6.10	7.98	5.95

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅛	+1¼	7.83	7.87	7.96
20-year Treasury	110[illegible]	n.a.	8.15	n.a.	8.36
30-year Treasury	96⅝	+⅛	8.15	8.17	8.27

Money supply: In the week ended April 1, M1 rose by $7.9bn to $852.1bn

the Federal funds rate lowered by 25 or 50 basis points.

Not everyone got into a kerfuffle over the lack of immediate Fed action; the bond market managed to hold on to some of its gains on Friday. The stock market, however, lost its cool. Share prices rose on hearing the inflation data, then fell quickly on the lack of a Fed move, before finally recovering to end higher as dealers and investors looked forward to an easing this week.

So why did not the Fed ease on Friday? The search for an explanation reached desperate proportions during the afternoon. The wire services reported speculation in the market that the Fed did not ease because Mr Alan Greenspan, the chairman, was attending the funeral of Senator John Heinz on Friday morning. This meant Mr Greenspan was unable to be at the Fed's offices – just two miles from the cemetery – to twist the necessary Open Market Committee arms and push through an immediate rate cut.

Another, only slightly more plausible, explanation was that the Fed did not move on Friday because it did not want to give the market the impression that the decision to cut rates was a hurried one, made without the full support of the policy-making Federal Open Market Committee.

Much has been made in recent weeks of supposed divisions with the FOMC, and some analysts believe the Fed is sensitive to accusations that it is divided. Mr Richard Trainer, chief market economist at Bank of Tokyo's treasury group, said on Friday: "The timing is important . . . with all this discussion of division, I don't think a quick vote over the telephone will give the right message."

A more likely explanation is that the Fed delayed its hand in order to give the markets more time to digest last week's economic news.

The last time the Fed cut the discount rate in a hurry, in February, the long end of the bond market took a tumble, unnerved by the swiftness of the rate reduction. Critics later said the speed with which rates were lowered indicated Mr Greenspan had temporarily put his concerns about inflation to one side, and succumbed to political pressure to cut rates.

This time, the Fed chairman may have decided a short pause for thought before easing would keep the inflation hawks, both inside and outside the Fed, off his back.

There is one other explanation for the lack of a rate cut on Friday: the Fed may have eased already. Mr Bob DiClemente of Salomon Brothers is one Fed-watcher who believes reserve data and the persistence of a Fed funds rate below the 6 per cent target suggests the Fed may have already moved, behind the market's back.

Persuasive though Mr DiClemente's arguments may be, the market would still like the Fed to give a clear signal that rates have been cut. If we can assume that the new target for Fed funds is 5¾ per cent, which is what Friday's matched sales transaction by the Fed appeared to indicate, then a discount rate cut of 50 basis points to 5½ per cent should satisfy everyone.

Patrick Harverson

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅛		7.91
ABN 9 1/8 94	200	102		8.38
AETNA LIFE & CAS 7 3/4 [illegible]	200	99⅛		7.83
ALBERTA PROVINCE 8 5/8 96	750	100⅜	−⅛	8.40
ALBERTA PROVINCE 9 3/8 95	600	103⅜		8.29
AMERICAN EXPRESS 0 00	450	40⅜	+⅛	9.70
AMERICAN GENERAL 9 3/4 95	100	98⅝	+⅛	10.10
ANHEUSER-BUSCH 9 1/8 92	100	101⅛		7.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
SASKATCHEWAN 15 92	150	108⅛	−⅛	7.97
SBAB 9 1/2 95	500	104		8.30
SEAGRAM CO 8 1/2 96	100	97⅛	−⅛	9.21
SEARS O/S FIN 0 98	500	50	+⅛	10.03
SEARS O/S FIN 11 5/8 93	150	104⅛	+⅛	9.41
SKANDIA INTL 7 1/4 92	200	99⅝	+⅛	7.67
SNCF 7 1/4 94	175	99⅛	+⅛	7.54
SNCF 9 1/2 98	150	104⅛	−⅛	8.58
STATE BK STH AUST 9 1/4 93	100	103		8.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN 6 1/8 98	300	89		8.27
WORLD BANK 0 15	2000	16⅛	+⅛	7.64
WORLD BANK 5 3/4 96	300	89⅛		8.54
WORLD BANK 7 1/8 95	500	95⅝	−⅛	8.44

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	94	+1⅛	6.55
AUSTRIA 4 5/8 98	100	89⅛		6.58
CHUJITSUYA 7 3/4 95	50	102⅝	+⅛	6.99
COUNCIL EUROPE 4 3/4 98	250	90⅛	+1	6.51
EEC 5 1/2 00	100	91⅛	+⅛	6.68
EIB 5 3/4 93	100	97⅛	−⅛	6.72
ELEC DE FRANCE 7 1/4 06	100	104⅛	+⅛	6.73
FINLAND 5 3/8 95	150	95⅛	+⅛	6.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
REYNOLDS (RJ) 10 1/4 93	100	97⅛	+⅛	11.42
SAINSBURY 9 1/8 96	150	101⅛		8.69
SARA LEE 9 3/8 93	150	102⅛	+⅛	8.31
SAS 10 99	200	99⅝	+⅛	10.06
SAS 10 1/8 95	150	101⅝	−⅛	9.71

EQUITY WARRANTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SUMITOMO CHEM.	20/01/93	2⅛	−⅛	87.40
TOYO SASH	27/04/93	16⅛	+⅛	25.28
TOYOTA MOTOR	15/07/92	20⅝	−1⅛	7.45
UNITIKA	20/07/93	5⅛	−⅛	40.10
YAMANOUCHI PHARM.	30/06/92	6⅛	−⅛	22.69

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on April 12

THE WEEK AHEAD

ECONOMICS

On guard for German rate rise

EUROPE is awash with economic news this week. The markets are on guard for an interest rate rise in Germany – the Bundesbank meets on Thursday.

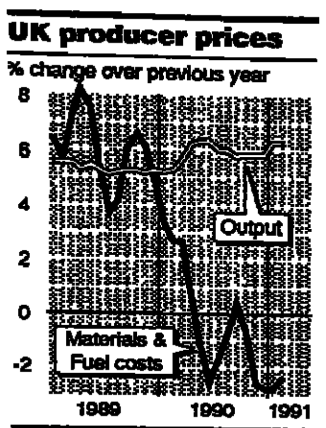
It would be difficult to overestimate the German authorities' commitment to price stability, so there is speculation that the bank will raise rates to counteract the recent weakness in the DM and quell rising inflationary pressures.

This is viewed as more likely after the bank tightened money market conditions last week and the current account data, which revealed the extent to which reunification has depressed exports and sucked in imports.

In the UK, the producer price data tomorrow will be keenly dissected for evidence that subdued demand and trading conditions are restraining inflation at the factory gate. This series has recently indicated that manufacturers are still trying to pass on high unit wage costs in higher prices.

With the pound weak against the dollar, there is the additional risk that the UK is importing higher inflation – adding an estimated 1 percentage points on input prices.

UK producer prices



US inflation, on the other hand, seem much improved after last week's consumer price data. With the strong dollar, better current account data and encouraging noises from the Fed, even recessionary data on housing starts today should not damp hopes of a modest US recovery.

Thursday's wodge of statistics should reveal the latest state of the public sector finances. With a borrowing requirement of around £2bn pencilled in, this suggests a debt repayment for the financial year of £1.7bn. Also of great interest to the gilts market will be the money supply data, which are due to show M4 lending slipping after a slackening in takeover activity in March.

Other events and statistics with median market forecasts from MMS International, the financial services company, in brackets include:

Today: Japan, corporate bankruptcies for March, wholesale price index (0.9 per cent) for March, trade balance customs basis for March. Germany, wholesale prices for March. UK, informal G7 meeting.

Tomorrow: US, housing starts, building permits, industrial production and capacity utilisation for March. UK, producer prices for March (input down 2.5 per cent, output 6.3 per cent). Japan, final production indices for February. France, preliminary consumer price index for March 93.8 per cent).

Wednesday: UK, public sector borrowing requirement for March (2.5bn).

Thursday: UK, unemployment (75,000), average earnings (9.5 per cent), manufacturing unit wage costs (11.1 per cent), industrial production (0.5 per cent) for February, vehicle production for March, fourth quarter institutional investment. France, industrial production for March (down 1.3 per cent). Germany, Bundesbank meeting, producer prices for March, manufacturing hourly earnings for February. US, merchandise imports and exports for February, money supply data for April.

Friday: UK, money supply data M0 (2.7 per cent) and M4 (10.2 per cent) M4 lending £4bn). US, merchandise trade for February. France, money supply data for March.

Rachel Johnson

PARLIAMENTARY DIARY

■ **TODAY**

Commons: Export and Investment Guarantees Bill remaining stages. Motion on the testing in primary schools regulations for Scotland.

Lords: Disability living allowance and disability working allowance bill, third reading. Debate on the broadcasting committee report on televising Lords proceedings. Question to government on the EC proposal on protection certificates for drugs.

■ **TOMORROW**

Commons: British Technology Group Bill, remaining stages. Motions on Scottish Legal Aid orders. Opposed private business from 7pm.

Lords: Representation of the People Bill, Committee. Criminal Justice Bill, Committee.

Select Committees: Social Security – subject, changes in maintenance arrangements. Witnesses: The Law Society, and the Solicitors Family Law Assn. (Room 21, 10.30am).

European legislation – subject, CAP price fixing plans. Witness: John Gummer MP, Agriculture Minister (Room 15, 11am).

Transport – subject, public expenditure. Witnesses: Dept of Transport officials (Room 17, 3.45 pm).

Committee on Opposed Private Bill, London Underground (Room 6, 10.30am).

■ **WEDNESDAY**

Commons: Opposition debate on subject to be announced. Motions relating to personal community charge reduction regulations.

Lords: Debate on the West Bank and Gaza situation. Debate on the role of Nato in the 1990s. Question to government on accident and emergency hospital facilities to deal with terrorists in central London.

Select Committees: Foreign Affairs – subject, events in the Middle East and overseas aid expenditure. Witnesses: Lynda Chalker MP, Overseas Development Minister and officials (Room 8, 10.30am).

Parliamentary commissioner for administration – subject, report for 1990. Witnesses: The Parliamentary Commissioner and his Deputy (Room 19, 10.45am).

Trade and Industry – subject, takeovers and mergers. Witnesses: Institute of Directors (Room 16, 10.45am).

Defence – subject, Royal Navy submarines. Witnesses MOD officials (Room 15, 10.50am).

Energy – subject, Clean coal technology. Witnesses: Gerard McCloskey and Dr Guy Doyle, National Union of Mineworkers (Room 21, 11am).

Procedure – subject, parliamentary questions. Witness: Mr John Cunningham MP, Shadow Commons leader (Room 8, 4pm).

Health – subject, public spending. Witnesses: Birmingham action on child care; Dept of Health and Social Services Insp (Room 5, 4.15 pm).

Employment – subject, Training and Enterprise Councils. Witnesses: Mr Tom Booth, South and East Cheshire TEC, Mr Tony Saint, Hertfordshire TEC, and Mr Eric Dancer, Devon and Cornwall TEC (Room 18, 4.15pm).

Home Affairs – subject, police sickness. Witnesses: Home Office; Assn of chief police officers; HM Insp of Constabulary (Room 15, 4.30pm).

Committee on Opposed Private Bill; London Underground (Room 6, 10.30am).

■ **THURSDAY**

Commons: Debate on Agriculture.

Lords: Criminal Justice Bill, Committee. Motions on N Ireland orders.

Committee on Opposed Private Bill: London Underground (Room 6, 10.30am).

■ **FRIDAY**

Commons: Private Members Bills. Lords: N Ireland (Emergency Provs) Bill, second reading. Overseas Superannuation Bill, second reading.

RESULTS DUE

THIS week sees yet more results from construction and building materials companies. Attention will focus not so much on profit falls but whether any more rights issues appear.

Average forecasts for Blue Circle, due on Thursday, suggest pre-tax profits of about £195m last year compared to £231.8m in 1989.

Higgs & Hill is expected to report between £10m and £12m (£26.5m) on Wednesday, barring increased provisions on commercial and residential property.

Trusthouse Forte, the leisure group, is expected to report a 20 per cent drop in pre-tax profits to around £210m (£260m) for the year to end-January on Thursday.

However, much of the fall will reflect lower profits on property sales of perhaps £10m compared to £45m.

Lep, the freight forwarding and security company reporting 1990 results on Thursday, must regret that Mr Michael Ashcroft's ADT, now the subject of a lawsuit from the Canadian company Laidlaw, holds 27 per cent of its shares. The market will not take much notice of its profits while that drama hangs over the stake. Nevertheless, analysts expect Lep to report a rise in pre-tax profits to about £33m (£26.5m).

Interim results to the end of February from Albert Fisher, the acquisitive fresh food distributor, also due on Thursday, are expected to show £44m pre-tax (£19.9m).

Much of the improvement will come from interest receivable.

Of more concern to the market are questions over the sudden departure of Mr Keith Brackpool, the head of the US business.

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Record Hldgs., Parkway Works, Kettlebridge Road, Sheffield, 9.00
Sterling Trust, The Chartered Insurance Institute, 20 Aldermanbury, E.C., 11.00
USDC Inv. Trust, 8 Devonshire Square, E.C., 3.00
Wise (Leslie), Ramada Hotel, Berners Street, W., 11.00

BOARD MEETINGS:
Finals:
Asda Property
Copymore
Explaura
Headlam
Hunting
Morgan Crucible
Russell (Alexander)
Turriff
Venturi Inv. Trust
Interims:
Amber Day
Lyles (S.)

■ **TOMORROW**

COMPANY MEETINGS:
Commercial Union, The Baltic Exchange, St. Mary Axe, E.C., 12.00
Kleinwort O'seas Inv. Trust, 20 Fenchurch Street, E.C., 12.30

BOARD MEETINGS:
Finals:
Castle Mill Intl.
Dunloe House
EIS
El Oro Mining & Expl. Exploration Co.
Hartons
LIT Hldgs.
Martin (Albert)
Newarthill
Interims:
River & Merc. Extra Inc.

■ **WEDNESDAY**
APRIL 17

COMPANY MEETINGS:
British Vita, British Vita Training and Dev. Centre, Green Street, Middleton, Manchester, 2.15
Consolidated Venture Trust, 11 Devonshire Square, 10.00
Heavitree Brewery, Trood Lane, Matford, Exeter, 11.30

BOARD MEETINGS:
Finals:
Bentalls
Densitron Intl.
English National Inv.
Golden Vale
Great Southern
Higgs & Hill
Le Creuset
Storm
Interims:
Prestwick

■ **THURSDAY**
APRIL 18

COMPANY MEETINGS:
Anglo & Overseas Trust, Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00
Gaskell, Pines Hotel, Clayton-le-Woods, Chorley, 10.30
Provident Financial, Norfolk Gardens Hotel, Hall Ings, Bradford, West Yorkshire, 12.00
Watmoughs, Post House Hotel, Bramhope, Leeds, West Yorkshire, 11.30

BOARD MEETINGS:
Finals:
ATA Selection
Barlows
Blue Circle Inds.
Eldos
Govett Oriental Inv. Trust
Havelock Europa
Lep
Parambe
Quicks
River & Merc. Geared Cap & Inc. Trust
Trusthouse Forte
Whatman
Interims:
Barrett (Henry)
Fisher (Albert)
Low (Wm.)
Sage

■ **FRIDAY**
APRIL 19

COMPANY MEETINGS:
Alliance Trust, Meadow House, 64 Reform Street, Dundee, 12.30
Baillie Gifford Shin Nippon, 10 Glenfinlas Street, Edinburgh, 12.30
Johnston Press, 53 Manor Place, Edinburgh, 11.30
Lex Service, Lex House, 17 Connaught Place, W., 11.30
St. Andrew Trust, 29 Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS:
Finals:
Berry Starquest
CSC Inv. Trust
Hammerson Property Inv. & Dev.
Hawtal Whiting
Roskel
Interims:
Brit. Empire Sec. & Gen. Trust

■ **SATURDAY**
APRIL 20

COMPANY MEETINGS:
Victaulic, The Weatherley Centre, Eagle Farm Road, Biggleswade, Bedfordshire, 11.00

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Alumasc 3.2p
American Brands 12½% Uns. Ln. 2009 6.25pc.
BCE Inc. 64cts.
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1999 £352.16
Chrysler Corp. 15cts.
Crest Nicholson 4.65p
Eldridge Pope 6¼% Irrd. Uns. Ln. 3.125pc.
Do. 7½% Irrd. Uns. Ln. 3.75pc.
Finland (Rep. of) 11½% Ln. 2009 5.75pc.
Govett Strategic Inv. Tst. 9⅞% Deb. 2017 4.9375pc.
Halifax Bldg. Soc. Fltg. Rate Nts. 1995 £352.16
Kuala Lumpur Kepong Berhad 10sen
Merton (London Borough of) 11¼% Red. 2017 11.25pc.
Metropolitan Wtr. Southwark & Vauxhall Wtr. 3% Deb. 1.5pc.
Morgan (J P) 49.5cts.
Northumbrian Fine Foods 0.75p
Occidental Petroleum 25cts.
Pacific Gas & Elect. 41cts.
Quaker Oats 39cts.
Ranger Oil 8cts.
Rexmore 13% Cnv. Red. Prf. 91/92 6.5p
Richards 4% Pfd. 1.4p
Do. 5½% Pfd. 1.44375p
Royal Tst. Gov. Securities Fd. Ptg. Red. Prf. 1.625p
St. Andrew Tst. 4.7p
Sindall (Wm.) 5⅝% Cnv. Red. Prf. 2.8125p
SmithKline Beecham A 3.8p
SmithKline Beecham/SmithKline Beckman Equity Units 47.85cts.
Treasury 10% Ln. 1993 5pc.
Watney, Mann & Truman 6% Red. Deb. 89/94 3pc.
Wereldhave Prop. Corp. 10¾% 1st Mtg. Deb. 2015 5.375pc.
Do. 9½% 1st Mtg. Deb. 2015 4.75pc.

■ **TOMORROW**

Centex Corp. 10cts.
Hamilton Oil Corp. 2.5cts.
Skopbank Sers. A Und. Sub. Var. Rate Nts. $207.81
Swansea (City of) 13¾% Red. 2006 6.875pc.
Treasury 2½% IL 2020 £1.93

■ **WEDNESDAY**
APRIL 17

3i £174.91
Abbey National Fltg. Rate Nts. 2000 £348.29
Amstrad 0.4p
Anglia National Bldg. Soc. Fltg. Rate Nts. Jan. 1998 £174.91
Armitage Bros. 2.5p
BBL Intl. NV Gtd. Fltg. Rate Nts. 1999 $210.12
Bank of New York O'seas Fin. NV Gtd. Fltg. Rate Sub. Nts. Jan. 1996 $190.63
Citicorp O'seas Fin. Corp. NV Gtd. Fltg. Rate Nts. 1982 $185.94
Fluor Corp. 8cts.
High-Point 2.55p
Leeds Permanent Bldg. Soc. Fltg. Rate Nts. 1994 £175.22
McAlpine (Alfred) 5.8p
Nationwide Anglia Bldg. Soc. Fltg. Rate Nts. 1996 £174.61
Needler 7.31cts.
Scandinavian Fin. BV Fltg. Rate Serial Nts. Apr. 1993 $255.94
Sheldon Jones 1.35p
Soundtracs 1.35p
Woolwich Bldg. Soc. Fltg. Rate Nts. 1993 £349.83

■ **THURSDAY**
APRIL 18

Allied London Props. 5¾% Cnv. Red. Prf. 2.875p
Conversion 9½% 2005 4.75pc.
Doctus 2.72p
Echlin Inc. 17.5cts.
Heavitree Brewery 2.45p
Do. A 2.45p
Northern Rock Bldg. Soc. Fltg. Rate Nts. 1995 £174.91
Stainless Metalcraft 1p
Throgmorton Dual Tst. 1.75p

■ **FRIDAY**
APRIL 19

Afex Corp. 10cts.
Associated Nursing Servs. 1p
Brierley Invs. 5cts.
Chieftain 2.7p
Close Brothers 2.8p
Dwyer 2.5p
Foreign & Colonial High Inc. Tst. 1.2p
French Poperty Tst. 0.47p
Interlink Express 4.125p
Joe Hldgs. 1.125p
Liberty Life Assoc. of Africa 54cts.
Lincat 1.8p
Pochin's 8p
Polypipe 1.2p
Raine Inds. 2p
Smaller Co's Inv. Tst. 0.7p
Waterman Partnership 1p
Watmoughs 7.75p
Wyevale Garden Centres 2.25p

■ **SATURDAY**
APRIL 20

Islington Corp 11.9% Red. 2017 5.95pc.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Apr. 12	Apr. 11	Apr. 10	Apr. 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2920.79	2905.45	2874.50	2873.02	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	(u)	93.75	93.74	93.66	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1128.88	1121.12	1113.89	1111.60	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.18	217.30	214.98	214.47	218.18 (12/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2946.53 (2937.62) Low 2884.16 (2877.72)

STANDARD AND POOR'S

	Apr. 12	Apr. 11	Apr. 10	Apr. 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	380.40	377.63	373.15	373.56	380.40 (12/4)	311.49 (9/1)	380.40 (12/4/91)	4.40 (1/6/32)
Industrials	451.12	447.42	442.06	442.25	451.12 (12/4)	364.90 (9/1)	451.12 (12/4/91)	3.62 (21/6/32)
Financial	30.07	30.12	29.50	29.77	30.36 (4/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.08	206.64	204.42	204.74	208.08 (12/4)	170.97 (9/1)	208.08 (12/4/91)	4.46 (25/4/42)
Amex Mkt. Value	366.63	365.47	362.51	363.64	366.63 (12/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	501.62	499.31	490.76	492.46	501.62 (12/4)	355.75 (14/1)	497.57 (4/4/91)	54.87 (31/10/72)

	Apr.5	Mar.22	Mar.15	year ago (approx.)
Dow Industrial Div. Yield	3.48	3.53	3.42	4.03
	Apr.10	Apr.3	Mar.27	year ago (approx.)
S & P Industrial div. yield	2.85	2.81	2.84	3.04
S & P Indl. P/E ratio	18.17	18.44	18.27	15.13

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Nabisco (RJ)	2,362,000	12	+ ½
IBM	3,554,900	108½	- 2¼
Adv. Micro	3,479,700	13⅝	+ 1
Waste Mngmt.	3,386,700	36⅞	..
Laidlaw B	2,224,700	12½	- ⅜
Nat. Semi	2,222,400	8	+ ¼
Philip Morris	2,017,000	68¾	- ¼
Am. Express	1,983,400	27½	- ¼
USX US	1,937,100	33⅝	+ ⅛
Global Marine	1,896,700	4½	- ¼

TRADING ACTIVITY

† Volume (Millions)	Apr 12	Apr.11	Apr.10
New York	198.610	196.570	167.940
Amex	14.712	12.039	13.653
NASDAQ	(u)	197.914	172.700
Issues Traded	2,056	2,056	2,055
Rises	930	1,104	706
Falls	615	494	858
Unchanged	511	458	491
New Highs	121	102	64
New Lows	3	5	4

CANADA TORONTO

	Apr. 12	Apr. 11	Apr. 10	Apr. 9	1991 HIGH	1991 LOW
Metals & Minerals	3123.67	3116.87	3079.56	3095.40	3284.18 (5/3)	2632.06 (9/1)
Composite	3509.39	3504.84	3494.06	3505.14	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1842.21	1840.66	1834.06	1839.49	1888.19 (5/3)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 12	Apr. 11	Apr. 10	Apr. 9	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1455.8	1454.3	1442.6	1449.1	1459.8 (4/4)	1204.5 (16/1)
All Mining (1/1/80)	656.2	663.6	656.7	654.1	673.5 (19/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	526.48	524.90	522.27	528.55	526.48 (12/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1206.56	1198.93	1197.58	1201.72	1206.56 (12/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	350.17	350.07	352.76	354.26 (4/4)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1163.9	1161.5	1160.3	1171.3	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	488.05	486.80	489.60	493.78	493.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	1821.43	1825.60	1816.92	1845.96	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	672.46	668.64	666.55	677.11	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1902.40	1872.50	1885.90	1917.80	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1583.14	1565.37	1561.89	1582.11	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3742.00	3703.93	3777.62	3757.30	3869.70 (3/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1484.05	1483.46	1487.19	1497.72	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	594.20	589.93	591.77	592.94	600.29 (5/4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26582.50	26425.19	26268.66	26317.39	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	2004.56	1985.15	1985.07	1986.29	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3220.55	3280.19	3280.45	3275.63	3283.57 (8/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	577.28	575.79	572.28	572.44	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn. Gen (End 1983)	270.7	269.3	267.2	268.8	270.9 (3/4)	221.4 (16/1)
CBS All Shr (End 1983)	197.9	196.9	195.4	196.6	198.1 (3/4)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	709.53	699.49	696.77	709.08	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1070.58	1060.79	1067.68	(c)	1154.73 (8/4)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	404.06	401.00	397.86	400.41	415.46 (15/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1064.0	1067.0	1083.0	1089.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3457.0	3458.0	3458.0	3453.0	3458.0 (11/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	639.44	641.46	645.75	646.04	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	281.09	280.09	279.04	280.60	[illegible]	[illegible]
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1096.00	1087.90	1083.00	1089.80	1119.0 (18/3)	908.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	737.2	731.6	732.9	741.0	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	622.6	616.0	618.3	625.1	625.1 (9/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5586.46	5454.61	5363.68	5349.76	5586.46 (12/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	892.78	882.75	885.75	892.78 (11/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl. (1/1/70) ($)	518.5*	515.8	513.5	514.1	524.4 (5/4)	439.1 (16/1)

**Saturday April 6: Taiwan Weighted Price: (c). Korea Comp Ex. 651.00.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 12 April 1991

	Stocks Traded	Closing Prices	Change on day
Nikkatsu	8.8m	524	+34
Hitachi Zosen	8.3m	871	+9
Nippon Express	7.9m	946	+22
Niigata Engnrng	7.8m	799	+3
NKK	7.0m	449	+10
Tokyu	6.6m	1,610	+20
Nisshin Steel	5.8m	760	+15
Nihon Nohyaku	5.8m	1,890	+30
Dai-Tko Fr&Mne	5.4m	1,050	+30
Nichias	4.5m	1,020	+53

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlgs: 031-220 4924

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Far East (Pacific)	5¼	98.08	98.08	104.1	1.10	40357
Income & Growth	5¼	63.01	64.00	67.94	4.66	41358
European (z)	5¼	54.59	54.59	57.95	1.34	41359
Nth American (z)	5¼	37.24	37.24	39.53	1.33	41360
Intl Growth	5¼	64.08	65.32xd	69.34	0.85	41361
UK Growth	5¼	56.37	56.37	59.84	1.94	41362
Intl Income	5¼	47.61	48.11xd	51.07	6.59	40946
High Yield	5¼	45.79	46.39xd	49.24	7.37	40945
Charities	5¼	92.87	94.17	99.96	5.60	40983
Japan	5¼	41.09	42.09xd	43.61	–	47589

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Growth (14-1)	6	68.56	69.90xd	74.76	3.30	40655
UK High Income	6	35.34	35.76xd	38.25	5.28	40656

NM Unit Trust Mngrs (1200)H
The Silkin Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5¼	31.27	31.27	33.35	1.53	41072
(Accum Units) ♥	5¼	33.46	33.46	35.69	1.53	41073
Australian ♥	5¼	169.00	169.00	181.90	3.03	41074
(Accum Units) ♥	5¼	190.40	190.40	204.20	3.03	41075
Commerce	5¼	52.12	52.99	56.55	1.38	41076
(Accum Units)	5¼	54.66	55.57	59.30	1.38	41077
European	5¼	140.30	143.80xd	151.20	1.03	41078
(Accum Units)	5¼	148.90	150.40	160.40	1.03	41079
Extra Income	5¼	66.54	67.38xd	71.90	8.50	41080
(Accum Units)	5¼	90.44	91.59	97.74	8.50	41081
Far East Gth Acc	5¼	112.70	114.40xd	122.20	0.25	41082
Gilt & F.I.	5¼	51.30	51.30	54.30	9.23	41083
(Accum Units)	5¼	108.00	108.00	114.20	9.23	41084

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Swiss Life Unit Tst Man Co Ltd (1200)F						
Admin 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Equity Dist	5½	425 5	433.1	458.3	3.67	41455
Equity Acc	5½	591 9	602 4	637.5	3.67	41454
Fixed Int Dist.	5½	113.2	115.3	119.5	8.53	41455
Fixed Int Acc	5½	240 8	245 4	254.3	8.53	41456
UK Index Track Dist	5	98.94	99 79	105.6	4 18	47896
UK Index Track Acc	5	103.5	104.4	110.5	4.18	47897
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794						
TSB American	6	132.9	132.9	141.38	0.38	41457
Do Accum	6	145.28	145.28	154.55	0.38	41458
TSB Brit Growth	6	73.64	74 8xd	79 57	3.28	41459
Do Accum	6	82.49	83.79xd	89.13	3 28	41460
TSB European	6	73.69	73.69	78.39	0.98	41461
Do Accum	6	76 36	76.36	81.23	0.98	41462
TSB Extra Income	6	164 47	168.01xd	178 73	5.09	41463
Do Accum	6	237.17	242.28xd	257.74	5.09	41464
TSB Smaller Cos	6	44.9	46.53xd	49 49	2.63	41465
Do Accum	6	47 51	49.23xd	52.37	2.63	41466
TSB General	6	229 19	229.19	243.81	3.44	41467
Do Accum	6	427.65	427.65	454.94	3.44	41468
TSB Premier Income	5	44 67	45.27	47 15	8 29	41469
Do Accum	5	79 93	81.02	84 39	8 29	41470
TSB Income	6	307 23	312.7	332.65	4.85	41471
Do Accum	6	571 14	581.31	618.41	4.85	41472
TSB Pacific	6	231.85	231.85	246 64	0.46	41473
Do Accum	6	241.24	241.24	256.63	0.46	41474
TSB International	6	392.57	392.57	417.62	0.84	41475
Do Accum	6	503.55	503.55	535.69	0.84	41476
TSB Nat Resources	6	62.62	63 27xd	67.3	0.39	41477
Do Accum	6	68 22	68.93xd	73.32	0.39	41478
TSB Sictd Opps	6	79.3	80 98xd	86.14	3.0	41479
Do Accum	6	95.53	97.56xd	103.78	3 0	41480
Environmental Inv	6	47.34	48.22	51.29	1 94	46849
Do Accum	6	48 85	49.75	52.92	1.94	46850
TSB Selector	6	49.06	49.83	53 01	3.78	47660
Do Accum	6	50.56	51.36	54 63	3.78	47661
TSB High Income	6	51 42	52.46	55.8	7.03	44558
Do Accum	6	52.79	53.86	57.29	7 03	44559
TSB Intl Income	6	49.16	49 4	52.55	7.0	44560
Do Accum	6	51.12	51.38	54 65	7.0	44561
TSB Selector Income	6	51.22	51.81	55.11	5 99	44562
Do Accum	6	51.22	51.81	55 11	5.99	44563
Target Trust Mngrs Ltd (1600)F						
The Exchange, 66 High St, Aylesbury, Bucks, HP20 1SE						
Admin. 0296 394000 Dealing: 0296 312156						
American Eagle	5	75 05	75.05	80 09	1.07	41482
Australia	5	6 140	6 140	6 600	1.84	41483
Equity	5	166.7	166.7	178.8	4 48	41486

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond	102.29	102.29	10.54	40883
(Accum Units)	357.07	357.07	10.54	40884
NAACIF Apr 10	–	43.54	9.33	46917
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Apr 9	130.5	139.7	2.80	46925
UK Small Co † Apr 9	516.9	557.0	1.92	46926
Fixed Interest † Apr 9	108.5	114.1	7.79	46920
US Small Co Apr 9	147.7	158.0	0.00	46927
Managed Apr 9	108.2	115.0	1.25	46924
Intl Bond Apr 9	112.2	118.4	7.72	47790
Japan Apr 9	75.30	80 60	0.84	47877
European Apr 9	85.56	91.65	1.61	47876
Nth American Apr 9	104.2	111.8	1.26	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Apr 10	49.21	51.18	2.78	41064
Euro Expt Apr 10	50.56	53 08	2.16	41065
Fixed Int. Ex Apr 10	46.91	48.07	10.28	46594
Japan Expt Apr 10	46.25	48.10	0.55	41066
Managed Ex Apr 11	44.71	46.51xd	4.34	41067
SE Asia Expt Apr 10	68.98	72.42xd	3.70	41068
Sm Cos Expt Apr 10	33.64	35 32	4.42	41069
UK Eqty Ex Apr 10	42.76	44.89	3.73	41070
Phillips & Drew Fund Management Ltd				
Small Co's Apr 2	707.1	752.0xd	4 5	41138
Do Accum	798.8	849.4	4.5	41139
Int Expt Apr 10	171.7	179 1	2.59	41140
UK Index Apr 2	1160.0	1183.0xd	4.9	46945
Do Accum	1249.0	1273.0	4.9	46946
Convertible Apr 5	94.39	97.38xd	7 87	46938
World ex UK Index Apr 8	797.6	807.4	1.86	47887
Do Accum	797.6	807.4	1.86	47888
Japan Index Apr 8	633.9	642.6	0.59	47881
Do Accum	635.5	644.1	0.59	47882
USA Index Apr 8	966.6	972.3	3.10	47885
Do Accum	990.4	996.2	3.10	47886
Europe ex UK Index Apr 1	875.9	896.0	2.75	47879
Do Accum	895.8	916.2	2.75	47880
Pacific ex Jap Index Apr 8	914.5	940.3	4.26	47883
Do Accum	948.6	975.2	4.26	47884
Managed Exempt Apr 10	104.7	106.4	5.75	40338
American Exempt Apr 10	125.6	127.7	3.54	40574
European Exempt Apr 10	114.1	115.9	3.16	40628
Japan Exempt Apr 10	113.5	116.0	0 07	40635
Pacific Basin Apr 10	122.5	126.7	3.72	40636

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GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

The D-Mark wanes

PROBLEMS stemming from German unification have changed sentiment surrounding the D-Mark. It is no longer such a restraining influence on monetary policy among the members of the European exchange rate mechanism, and by its own weakness against the dollar threatens to increase inflationary pressure in the ERM group as all currencies are dragged lower.

UK clearing bank base lending rate 12 per cent from April 12, 1991

The straitjacket placed on British interest rate policy, when the pound was at the bottom of the ERM, has been removed as funds have flowed out of the D-Mark and into the high yielding pound, pushing sterling to the second strongest in the system.

UK rates were set to fall as inflation declined, but the malaise surrounding the D-Mark has made the task of cutting rates much easier, despite a tightening of German monetary policy.

It is not clear whether last week's increase in the Bundesbank's fixed securities repurchase agreement rate will result in higher official rates at Thursday's central bank council meeting. Nevertheless, the rise was opportune. It came on the same day that Germany announced its second consecutive monthly current account deficit.

Economists at London's National Westminster Bank expect Germany's current account surplus to shrink to $12bn from $44.1bn this year, and believe a deficit is possible, with the strains placed on the economy by the east meaning there is little realistic chance of recovery in the next couple of years.

NatWest does not expect much further weakening of the D-Mark however, and it forecasts that the dollar will average DM1.72 in the fourth quarter, while sterling will have weakened to DM2.89 from the present level of almost DM3.00.

£ IN NEW YORK

Apr.12	Close	Previous Close
£ Spot	1.7780-1.7790	1.7900-1.7910
1 month	0.89-0.87pm	0.88-0.86pm
3 months	2.52-2.50pm	2.47-2.44pm
12 months	7.42-7.37pm	7.25-7.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

Apr 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.0	-18.7
U.S Dollar	64.8	-14.2
Canadian Dollar	104.7	+2.1
Austrian Schilling	108.8	+11.0
Belgian Franc	110.4	-2.7
Danish Krone	108.5	+3.2
D-Mark	116.6	+23.3
Swiss Franc	112.7	+21.8
Dutch Guilder	113.1	+15.1
French Franc	102.6	-13.3
Lira	98.9	-19.7
Yen	135.9	+68.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.11

OTHER CURRENCIES

Apr 12	£	$
Argentina	17340.1 - 17367.7	9728.00 - 9738.00
Australia	2.2780 - 2.2800	1.2765 - 1.2775
Brazil	446.694 - 447.480	250.600 - 250.900
Finland	7.0190 - 7.0430	3.9450 - 3.9500
Greece	321.15 - 326.800	179.960 - 182.840
Hong Kong	13.8780 - 13.8955	7.7890 - 7.7910
Iran	120.70	67.80
Korea(Sth)	1289.85 - 1310.65	722.90 - 728.70
Kuwait	N/A	N/A
Luxembourg	61.25 - 61.35	34.45 - 34.55

CURRENCY RATES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.778	2.995	242.3	10.12	2.538	3.373	2218	2.051	61.30	1.448
$	0.562	1	1.684	136.3	5.692	1.427	1.897	1247	1.154	34.48	0.814
DM	0.334	0.594	1	80.90	3.379	0.847	1.126	740.6	0.685	20.47	0.483
YEN	4.127	7.338	12.36	1000.	41.77	10.47	13.92	9154	8.465	253.0	5.976
F Fr.	0.988	1.757	2.959	239.4	10.	2.508	3.333	2192	2.027	60.57	1.431
S Fr.	0.394	0.701	1.180	95.47	3.987	1	1.329	873.9	0.808	24.15	0.571
H Fl.	0.296	0.527	0.888	71.84	3.000	0.752	1	657.6	0.608	18.17	0.429
Lira	0.451	0.802	1.350	109.2	4.563	1.144	1.521	1000.	0.925	27.64	0.653
C$	0.488	0.867	1.460	118.1	4.934	1.237	1.645	1081	1	29.89	0.706
B Fr.	1.631	2.900	4.886	395.3	16.51	4.140	5.502	3618	3.346	100.	2.362
ECU	0.691	1.228	2.068	167.3	6.989	1.753	2.329	1532	1.416	42.33	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Apr 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12 - 11¾	12 - 11¾	12⅛ - 12	11¹³⁄₁₆ - 11⅞	11⅝ - 11½	11⁵⁄₁₆ - 11¼
US Dollar	5⅝ - 5⅜	5⅞ - 5¾	5¹³⁄₁₆ - 5¹¹⁄₁₆	6⅛ - 5⅞	6¼ - 6⅛	6⅜ - 6¼
Can. Dollar	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Dutch Guilder	8⅞ - 8¾	9 - 8¾	9⅛ - 9	9¼ - 9⅛	9¼ - 9⅛	9⅛ - 9
Swiss Franc	8⅝ - 8⅜	8⅝ - 8⅜	8¾ - 8⅝	8⅞ - 8⅜	8⅞ - 8⅝	7¹³⁄₁₆ - 7¹¹⁄₁₆
D-Mark	8¾ - 8⅝	8⅞ - 8¾	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅛ - 9	9⅛ - 9	9⅜ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼
Italian Lira	13 - 11	11¼ - 10¾	11⅝ - 11⅜	11⅝ - 11½	11⅝ - 11⅜	11⅝ - 11½

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 5	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.35	85.47	85.39	85.43	85.47	85.55	85.88	82.17	127.4	49.18
Fixed Interest	94.77	94.76	94.73	94.73	94.72	94.84	94.84	90.59	105.4	50.53
Ordinary	1997.5	2002.2	1992.2	1998.0	1999.0	2014.5	2014.5	1606.3	2014.5	49.4
Gold Mines	141.0	141.2	143.1	140.2	138.4	137.8	179.7	127.0	734.7	43.5
FT-Act All Share	1222.89	1224.72	1219.80	1224.17	1225.31	1232.32	1232.32	987.46	1238.57	61.92
FT-SE 100	2526.1	2531.6	2518.8	2527.2	2529.9	2545.3	2545.3	2054.8	2545.3	986.9
FT-SE Eurotrack 100	1116.71	1108.33	1102.87	1111.57	1113.55	1119.54	1119.54	900.45	1119.54	900.45
FT-SE Eurotrack 200	1164.86	1161.08	1155.66	1165.29	1164.64	1170.06	1170.06	938.62	1170.06	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

AMERICANS—Contd

CANADIANS

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, "Compounded Annual Rate". Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
927	ABN Amro Fl5	£11¼	-0.3	4.2	4.9	Aug May	1567
419	ANZ SA1	142	-2.7	11.7	28.12	Jan Jul	1698
3,776	Abbey National 10p	286	3.2	4.4	11.3	Apr Oct	5411
1,111	Allied Irish Ord.	171	-2.8	5.2	19.11	Dec July	1354
36.0	Anglo Irish	60	.....	7.0	10.12	Jan July	1355
79.9	Arbuthnot (H.J) 1p	38xd	.....	5.3	2.4	May	1624
1,023	Bancaire Cie Fr100	£49½	-2.7	3.1	9.5	May	2202
3,927	Banco Bilbao Viz	£17	.....	4.8	9.12	Dec June	–
3,342	Banco de Santander	£30½	0.2	4.0	31.10	Apr Oct	–
663	Bank Ireland Ir£1	198	-2.0	6.7	19.11	July Dec	1360
134	Bank Leumi	£19½	.....	–	–	–	1740
25.0	Bank Leumi (U.K.)£1	350	.....	6.1	25.2	Apr Sep	1740
1,966	Bank Scotland	140	-4.1	4.3	8.10	Dec Jul	1742
105.8	Do. 9¼pc Irrd Pf £1	105¾	-0.9	11.7	22.10	May Nov	1462
109.8	Do. 9¼pc Irrd Pf £1	109¾	-0.5	11.8	–	–	–
13.8	Bank of Wales	43	.....	8.7	8.10	Nov Jun	1743
7,470	Barclays £1	472	0.9	6.0	11.3	Oct May	1754
5.36	Benchmark 20p	10	.....	10.0	9.4	May Oct	1802
40.2	Brown Shipley £1	252	0.4		10.12	Jan Aug	1983
107.0	Cater Allen £1	454	-1.5	7.2	19.11	Jan. Aug	2081
7.51	Chancery	36xd	.....		25.6	Jan July	2102
7,50	Commerzbk DM10	£17¾	-2.6	3.9	27.5	May	1046
9,137	Deutsche Bk DM50	£214½	0.2	2.2	17.5	May	2345
19,641	Dai Ichi KBk Y50	£9½	-3.8	0.4	4.7	June	3221
191	Espirito Santo	£17¾	-0.7	2.3	–	June	5187
334.7	First Nat. Fin. 10p	207	-0.5	8.4	14.1	Feb Aug	2571
52.3	FNFC 6.3pc Cv. Pf £1	108	.....	7.8	31.12	July	2570
30,945	Fuji Bank Y50	1070	-2.7	0.3	4.7	Dec June	1084
131.9	Gerrard & National	339	-2.6	7.5	22.10	June Dec.	2686
33.4	Guinness Mahon 10p	51½	1.0	3.8	10.12	July Feb	5074
2,957	HSBC Hldgs HK$10	183	-5.2	1.5	1.3	Oct Mar	–
473.3	Hambros 20p	277	-1.4	5.5	10.12	Jan Sep	2812
108.0	Do. 7.5pc Cv Pf £1	112	-3.4	8.9	25.2	Apr Oct	4388
21.4	Joseph (Leo) £1	408	.....	5.2	10.12	Jan Sept	3060
23.7	King & Shaxson 20p	158	-1.3	9.1	19.11	Dec June	3038
415.9	Kleinwort Benson Grp	337xd	-2.3	6.3	2.4	May Oct	3102
10,853	Kyowa Bk Y50	467	-3.7	0.6	29.6	Mar Jun Sept	3049
4,250.7	Lloyds £1	353	-4.6	5.8	28.2	Oct May	3171
33.4	Lon. Scot. Bank 10p	58	-5.7	6.3	28.1	Mar Aug	4651
1,748.3	Midland £1	223	1.8	5.4	11.3	May Oct	3380
39,906	Mitsubishi Bank Y50	£10¼	1.2	0.3	4.7	June Dec	5290
10,133	Mitsubishi Tst & Bk Y50	£7½	-0.4	0.5	–	June Dec	4775
26,283	Mitsui Taiyo Kobe Y50	£8	-2.3	0.4	–	Sept Mar	–
7,200.4	Mitsui Tst & Bk Y50	601	-2.6	0.6	7.12	Sept Mar June	5388
2,452.5	Nat Aust. Bk A$1	255xd	.....	9.4	12.4	July Jan	3456
5,474.9	NatWest £1	339	-1.5	6.9	11.3	Oct May	3463
70.0	Ottoman Bank	£140	3.7	8.3	16.5	May	–
16.5	Rea Bros. Group	42	.....	1.6	10.9	May Oct	3785
1,445.6	Royal Bk. Scotland	189	-2.6	5.9	10.12	Feb July	3874
4,715.9	Saitama Bank Y50	468	.....	0.6	10.12	Sp De Mr Jn	5286
35,586	Sanwa Bank Y50	£9½	0.7	0.4	11.12	June Dec.	5108
415.9	Schroders £1	828xd	-0.2	2.3	2.4	Nov May	3939
79.6	Do. £1 N/V	615xd	-0.5	3.0	2.4	Apr Nov	3941
1,714.4	Sec. Pacific $10	£13¾	-3.5	10.2	24.1	Fb My Ag Nv	3985
948.1	Standard Chartd £1	406xd	3.3	6.6	2.4	May Oct	4094
39,435	Sumitomo Bank Y50	£9½	-3.8	0.3	29.6	June	5079
9,013.6	Sumitomo Tst & Bk Y50	£7¼	-2.5	0.5	29.6	June Dec	4918
2,421.4	TSB	161	6.6	5.3	11.2	Oct Apr	4320
22.6	TSB Bank Ch'nel Is'l	154	.....	5.2	31.12	Mar Aug	4319
12,793	Tokai Bank Y50	£7¼	-0.9	0.5	10.12	June	5359
5,962.9	Toyo Tst & Bk Y50	733	-1.1	0.4	29.6	Sept Mar Jun	1393
107.0	Union Discount £1	564	-2.1	8.3	11.2	Mar Sept	4353
853.2	Warburg (S.G.)	433	-3.1	4.6	19.11	July Dec	4425
61.3	Do 6pc Cnv Prf £1	144	-3.4	5.6	25.2	Mar Sept	4426
1,067.2	Westpac $A1	176	-0.6	13.0	27.12	Jan July	4473
29.7	Wintrust 20p	350	.....	3.3	11.2	Sept Mar	4524
7,041.7	Yasuda Tst & Bk Y50	675	-2.0	0.5	7.12	Sept Mar Jun	5347

Hire Purchase, Leasing, etc.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
14.0	CLF Yeoman 50p	35	.....		10.9	July	1162
32.3	Cambridge Grp Ir5p	50	-1.0	0.6	14.5	Dec June	5358
77.7	Cattle's (Hegs) 10p	74xd	.....	6.8	2.4	May Oct	2082
245.1	Prov. Financial	481	-1.8	6.5	25.2	Nov Apr	3731
17.7	Reflex Invs Ir5p	125	-2.3	1.9	25.6	July Dec	4940
38.0	Secure Trust Grp. 1p	268	3.5	5.4	8.10	May Nov	1472
394.5	Woodchester IR20p	208	-4.8	2.0	24.9	May Oct	1487

BEERS, WINES & SPIRITS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
4,541.9	Allied-Lyons	523	0.6	4.3	10.12	Jul Feb	1550
6,169.2	Anheuser-Busch $1	£28¾	-3.3	1.9	5.2	Mr Jn Se De	1620
3,993.2	Bass	933	-3.1	4.6	10.12	Feb July	1772
157.4	Boddington	159xd	3.2	5.0	2.4	May Nov	1862
120.0	Bulmer (H.P.) 5p	230	-1.3	4.4	31.12	Sept Feb	2005
25.2	Burtonwood Brewery	121	-6.9	4.4	5.11	Feb Aug	2022
93.2	Devenish (J.A.) 5p	185	10.8	3.8	31.12	Feb July	2346
9.80	Do 4.5pc Cv 2ndPf £1	130	8.3	4.6	11.2	Mar Sept	2347
21.6	Eldridge Pope "A"50p	111	-0.9	4.9	31.12	Feb.Jly.	2435
1,384.5	Fosters Brewing A$1	62	-4.6	6.0	12.4	May Dec	2434

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
0.92	Kells Mins. b5p	γ	38	−5.0	–	–	–	3741
8.65	Kenmare	γ	18	−18.2	–	–	–	1453
0.81	Nacan Resources	γ	15	....	–	–	–	1185
–	New Sabina Res C$1		9	12.5	–	–	–	–
9.84	Northgate Expl. C$1		78	....	–	10.77	–	–
4.04	North West Exp.		12	....	–	–	–	–
–	Nor-Quest Res.		9	12.5	–	–	–	–
–	Oryx Gold Hldgs.		88	−13.7	–	–	–	3686
1.39	Ovoca Gold IR 2p	γ	28	−4.8	–	–	–	1470
7.29	Plateau Mining 20p.	β	39	−2.5	–	–	–	3407
5,439.5	RTZ 10p.	α	550xd	−3.2	4.7	2.4	Dec Jul	3880
–	Thorco Res. Inc.		6	−25.0	–	–	–	–
3.75	Vlacaya Hldgs 5p.	β	7	....	–	–	–	4193
11.3	Young Group 10p.	β	121xd	−1.6	5.7	2.4	May Oct	5080

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ‡ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	β	650	....
Finlay Pkg. 5p	β	31	....
Holt (Jos) 25p	β	1604	....

IRISH

Cap. 8½% Ln. 1991	£99¼	....
9pc Cap Ln. 1996	£98¾	0.6
Fin. 13% 97/02	£114½	....
Arnotts	160	−8.6
Carrol (P.J.)	154	....
Heiton Hldgs. γ	43	2.4
IRG	155	....
United Drug	170	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds.	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	23
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property	
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petlm.	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm.	10
Gaelic Res.	1
Premier	6
Shell	42
Tuskar Res.	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Etonbrook (Section: Property)
Western Capital (Industrials)

Deletions: Capital Leasing (Banks)
ASEA AB A (Electricals)
Circaprint (Electricals)
Gaynor Group (Chemicals)
Toothill (R.W.) (Industrials)
Broad Street (Papers)
Pennant Properties (Property)
Parrish (Trust Finance, Land)
Robeco (Br.) (Trust Finance, Land)
Rolinco NV (Trust Finance, Land)
Rorento NV (Trust Finance, Land)

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
16¾	12	Zenith Nat	1.00	0.06	37	100	17½	17¼	17½	+¼
6	4½	Zenix Inc	0.28	0.05		139	5⅞	5⅝	5⅝	–¼
14	10⅞	Zero Corp	0.72	0.05	14	112	13⅞	13⅝	13⅞	+⅛
41⅜	29½	Zurn Ind	0.88	0.02	14	414	34¾	34½	34⅝	–⅛
12⅞	10¼	Zweig Fund x				357	u12⅞	12¾	12¾	–⅛
9¾	8½	Zweig Totl x				738	u9¾	9⅝	9⅝	–⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini		12	25	14⅝	14⅝	14⅝	
Pet HRP	0.31	4	95	u9¼	8⅞	9⅛	
Phil LD	0.16	7	137	17½	17⅛	17⅛	–⅛
Pitway A		11	19	u25½	25⅛	25½	+¼
–Gem	0.12	23	76	7⅜	7¼	7¼	–⅛
PresidioA	0.10	4	47	5⅝	5½	5⅝	
Pro Med x	0.50	12	6	6⅝	6⅝	6⅝	
Prof Care		5	11	6⅝	6⅝	6⅝	
- R - R -							
RS&W Cp		4	93	5⅛	5⅛	5⅛	
RiedelEnv		76	15	8½	8⅜	8⅜	–⅛
Ruddick	0.40	11	139	u27⅞	27	27¾	+⅞

NASDAQ NATIONAL MARKET

4:00 pm prices April 12

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Weer Oil	0.40	20	794	15⅛	14⅞	15⅛	+⅛
Wolohan L	0.28	9	480	u17½	16¾	17½	+¾
Wolv Expl		0	727	1⅛	1	1⅛	–⅛
WinExWBSA			10				
Worthington	0.60	19	390	24⅝	24⅝	24⅝	+⅛
WPP Group	1.11	2	2712	u8⅛	7⅞	8	+⅛
Wyman-Gdn	0.40	16	404	8	7⅞	7⅞	–⅛
- X - Y - Z -							
Xilinx		50	3701	23¾	22¾	23¾	+1¼
XL Data		8	263	6½	6	6¼	+⅛
Xoma Corp		15	5208	26¾	25½	26	+½
YankeeEnS	1.52	17	208	u23¼	22	23	
Yellow Fr	0.94	13	1148	31⅞	30⅞	31⅞	
York Rsch		19	3181	20	18	18½	–⅛
Zions Ut x	1.44	8	151	39¾	39	39¾	+¼

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices April 12

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅝	9¼	AAR Corp	0.48	0.04	12	185	13⅝	13¼	13⅝	+⅝
28¼	21⅝	A L Labs A	0.16	0.00	31	333	27⅞	26⅝	26⅞	-⅞
64¼	40⅞	AMP Inc	1.44	0.03	19	2186	63	62¼	62¼	+⅝
63	44¼	AMR				9947	u60½	59¼	59⅞	+⅜
2⅝	1¼	ARX			3	105	2½	2⅜	2½	
48⅝	41½	ASA	3.00	0.06	13	478	46⅞	45⅞	45½	-⅞
58¼	39¼	Abbott Lab x	1.00	0.02	21	5967	u61¼	49¾	50½	
13½	9⅞	Abitibi Pr x	0.50	0.04	20	36	u13⅝	13½	13⅝	+⅛
11¼	10⅝	ACM Gvt In x				1741	u11⅜	11¼	11⅜	+⅛
9⅛	8¾	ACM GvOpp x				161	9⅛	9⅛	9⅛	
9	8¼	ACM Gvt Sp x	1.01	0.11		460	8⅞	8¾	8⅞	+⅛
10⅞	9⅞	ACM Gvt Se				1584	u11	10⅞	10⅞	+⅛
8¼	7⅞	ACM Man x				429	8	7⅞	7⅞	
12⅝	11⅝	ACM Mangd x				91	12½	12⅜	12½	
7¼	4¼	Acme Cleve	0.40	0.06	18	61	6½	6¼	6½	+¼
6	4⅞	Acme Elect			18	25	5	4⅞	5	
40	22¾	Acuson			26	628	37¾	37¼	37½	+½
17½	14¼	Adams Expr	0.46	0.03	0	49	17	16⅞	16⅞	
20	18⅞	Adobe12Pf	2.40	0.12		31	u20¼	19⅞	19⅞	-⅛
9¼	7	Adobe Res			19	606	7½	7⅜	7⅜	-⅛
33¼	18	Ad Micro				161	u34½	33½	34⅝	+1⅛
12¼	4⅝	Ad Micro P	3.00	0.22	26	8690	u13⅝	13	13⅝	+⅞
4⅞	2¼	Advest Grp			3	68	4½	4¼	4¼	-⅛
48⅞	33⅞	Aetna Lf	2.76	0.06		72003	47¼	46⅝	47	+⅜
10⅝	6⅝	Ahill A	0.24	0.02	26	260	9⅝	9⅜	9⅜	-⅛
18⅞	12	Ahmanson	0.88	0.05		92539	17⅜	16¾	17⅜	+½
5⅞	2⅞	Aileen Inc			8	555	5⅝	5¼	5½	-⅛
70⅞	51⅜	Air Pr Cam x			15	497	65⅞	65⅜	65⅞	+⅜

MONDAY INTERVIEW

Visionary with a global goal

Jacques Attali, president of the EBRD, talks to **Peter Norman**

The problem with Jacques Attali is knowing whether he has his head in the clouds or his feet on the ground.

The latest chapter in the remarkable career of this French academic, author, part-time film-maker, presidential adviser and intellectual begins today when he becomes president of the European Bank for Reconstruction and Development.

The London-based EBRD, or European Bank as Mr Attali prefers to call it, has been set up in record time to help the emerging democracies of eastern and central Europe develop market economies. It has a lot of hopes riding on it. Proof of this will be the presence today of some 30 heads of government and 39 finance ministers at the bank's inauguration ceremony in the unlikely setting of the International Maritime Organisation headquarters on the south bank of the Thames.

But for Mr Attali, the bank, although important, is only a means to achieving a much bigger goal. The EBRD "is the first pan-European institution, which happens to be a bank," he says.

Moreover, he would be prepared, if necessary, to postpone its lending operations for one or two years to ensure that it achieved the right pitch of excellence. "I will be very cautious in the disbursements because triple-A is the beginning and the end of my banking credo."

This curious mixture of high-flown ambition and operational caution surfaced many times during an interview with Mr Attali in the bank's spartan temporary headquarters in the City of London.

Whereas a layman – and some member governments – might suppose that the bank had been set up to meet specific needs for finance or technical expertise in eastern Europe, it soon became clear that Mr Attali's main interests lay elsewhere.

"The question is the vision," he said. "The vision was and still is to build the first pan-European institution, in order to make totally irreversible the end of the split of the European continent in two."

This split, Mr Attali explained, went back much further than the 70 years of communism. For 500 years, in fact, the differences in development between eastern and western Europe had been a cause of war. As the iron curtain was falling, he and his former boss, President François Mitterrand of France, had asked themselves how could they "hook irreversibly the east to the west".

The first answer was to create democracy and the market economy in the former communist states because "they are the core of success of the western part of Europe".

Ideas then focused on a financial institution. "We could have thought about a confederation, about political institutions. But today the main problem is finance."

The early years of the European Community provided an instructive example. "The EC was built up not through the ideas of European political union – although that was useful – but through the first institutions having money.

"We talked about a bank because bank means money. But also because of its capacity for arm-twisting relationships in order to push them (the eastern European countries) in the direction of democracy and market economy."

His ambition is for the bank to help restructure eastern Europe's economy and then be transformed "into something else, which is a really purely global, pan-European institution". He cites the example of the European Coal and Steel Community, the forerunner of today's EC, which "disappeared and merged into the common market".

The European Bank will, he insists, be a completely different from existing international financial institutions (or IFI's) such as the International Monetary Fund or the multilateral development banks (MDBs) such as the World Bank. And woe betide anyone who refers to the 39 nations and two European institutions putting up its Ecu10bn (£6.9bn) capital as "shareholders".

Crunching a plastic pill box in his hand, Mr Attali was adamant: "This is not an IFI. This is not an MDB. This is an institution of a third type, of a new type ... If you talk about shareholders, you are a commercial bank. That is fine. But you cannot pretend to have political visions with shareholders."

Although Mr Attali dislikes the language of commercial banking, the EBRD's operations will have a distinct private sector focus. It is committed to promoting "private and entrepreneurial initiative" in central and eastern europe and can use no more than 40 per cent of its resources to finance the public sector.

It also has an overt political goal. The former communist states must be "committed to and applying the principles of multi-party democracy, pluralism and market economics".

Its capital has been subscribed by a unique mix of countries, symbolising the post-cold-war era. European Community states and institutions have a 51 per cent majority of votes. The rest is shared among the other west European countries, eastern Europe except Albania, the Soviet Union and a few non-European countries including Japan, Canada and the US, which, with 10 per cent, is the biggest EBRD member. Some 30 per cent of capital will be paid in and may be used for equity investment.

The bank's treasury department estimates that it could disburse 5.5bn Ecus in loans and make 600m Ecus of equity investments in the first five years, rising to 12.6bn Ecus and 1.8bn Ecus respectively over eight years.

But aren't these rather small sums, given that Mr Attali last September said eastern and central Europe would need 2,000bn Ecus to bring average labour productivity to French and German levels?

"No, Not really, Not really," he replies. "Suppose it takes 20 years to do that. Voila! that means 100bn Ecus a year. The bank, according to the people around here, can mobilise something like 100bn Ecus in seven or eight years: 100bn in seven years means 15bn in one year."

Because the bank will act as a catalyst, encouraging others to join projects in eastern Europe, it will activate more investment funds than it actually disburses. Mr Attali's off-the-cuff projections – which are rather more optimistic than those of the bank's treasury – suggest it can mobilise at most 15 per cent of the region's financing needs. But the eastern European countries have high domestic savings and 15 per cent may be all the foreign capital needed.

Mr Attali himself will not worry too much if these hopes are not met. "At the end of a period we can be there. Even if we say that we are 10 per cent, I don't care. Even if we say we have half of it, I don't care."

So when will business start? "I hope, cross my fingers, that we will have the first operation done before June."

It is notable that Mr Attali does not have the bank's business plan at his fingertips. But then: "I am an intellectual ... a professor of economics first," he says. "I will never make the mistake, I hope, to believe that I could become a banker. I will not take decisions on the banking side. My only duty is to find the best bankers to do it."

While moulding the bank, Mr Attali has kept up a fiendish schedule of extra-mural activity. On the day of the interview he had got up, as usual, at 4am, to work on his 16th book and to discuss a project for his third film. In his 10 years as President Mitterrand's special adviser he produced seven books.

But, contrary to some expectations, he has been very much a hands-on president-designate. He expects to stay at the bank for more than his initial four-year term. A strict task master, he has made full use of the article in the statutes giving him responsibility "for the organisation, appointment and dismissal" of staff. There has been a considerable turnover of personnel at the EBRD so far and this trend can be expected to continue.

Although today will be one of celebration, there is considerable scepticism surrounding the EBRD and Mr Attali. It is, for example, unclear:

- whether it will be able to find enough projects compatible with maintaining "triple-A" status;
- how relations will work out between the 23-strong board of directors representing the bank members and the bank staff under Mr Attali;
- how it will co-operate with the European Commission, IMF, World Bank and International Finance Corp, which is already active in eastern Europe, and;
- whether its political goals will lead to problems in the bank's lending operations. For example, should the bank call in loans, creating a possible risk for its business operations, if one of its borrowers reverts to dictatorship?

On this latter issue, Mr Attali is confident that all international institutions will eventually fall in with the EBRD's ground-breaking approach towards encouraging democracy.

He guesses that it will take at least 15 years for eastern Europe to adjust its economies. "The only thing is that I am sure we are going to be disappointed," he says. "It will take a lot of time. With a lot of ups and downs."

After 55 minutes, it was easy to see how this 47-year-old former *eminence grise* of the Elysée Palace can encourage idealism and scepticism in about equal measure. "Scepticism is better than (being) despised, isn't it? And scepticism is not indifference. The worst is indifference," he says.

Ashley Ashwood

'Today the main problem is finance'

PERSONAL FILE

- **1943** Born November 1 in Algiers.
- **1963** French National Polytechnic School.
- **1968** Two years at the France's National School of Public Administration.
- **1972** Publishes first of 15 books covering economics, politics, biography and fiction.
- **1981** Special adviser to President Mitterrand.
- **1989** Member of French Conseil d'Etat.
- **1990** President-designate of EBRD.
- **1991** President of EBRD.

Dynamic duo square up for an educational test

MICHAEL PROWSE on America

Batman and Robin are swinging into action, determined to transform American education. Batman is Mr Lamar Alexander, President George Bush's new education secretary, who won a reputation as an educational reformer while governor of Tennessee in the 1980s. Robin, his deputy, is Mr David Kearns, chairman of Xerox and a leading campaigner for educational change in the business world.

The Alexander-Kearns team is unusually talented by the low standards of the US public sector. Mr Alexander actually sounds intelligent on television; with fewer brains he might make a Republican presidential candidate. Mr Kearns is one of only a handful of top US executives to take a senior post in an unfashionable department. An educationalist who knows both men says their "silky-smooth exteriors hide aggressive, action-oriented personalities". Both have shown a long-term interest in education; both are used to getting their way. But can they deliver results that will justify Mr Bush's claim to be the "education president"?

Their headaches include:

- Egregiously low average levels of achievement. Two-thirds of high school students cannot place the American Civil War within the correct half-century. The average mathematical attainment of Japanese pupils exceeds that of the top 5 per cent of US students.
- Low calibre of teachers. Four-fifths of science teachers did not major in science at college. According to Mr Albert Shanker, the president of the American Federation of Teachers, a third of physics teachers never took a course in physics, not even in high school.
- Bureaucratic school districts. Mr Denis Doyle of the Hudson Institute says as much as 40 per cent of total educational expenditure is absorbed in non-instructional overheads and bloated administration. Schools are big (4,000 pupils is not uncommon), impersonal and inflexible.
- High drop-out rates. The overall drop-out rate is about 28 per cent. But in inner cities and among minorities, it is much higher. (Some drop-outs subsequently pass a high school equivalency examination at college but this does not excuse schools' initial failure to motivate them.)

Alexander and Kearns will unveil their strategy for reviving US schools shortly. It is expected to focus on two themes: choice and accountability.

Choice is a shorthand for policies which encourage greater competition between schools. During the 1980s, many reformers became convinced that schools performed poorly because they had captive markets. Several states are already promoting greater competition. Liberal Minnesota, allows parents to cross district boundaries and choose any public school in the state.

But radicals want to go much further. Allowing parents to choose freely is of limited significance, they say, if all schools are controlled by bureaucratic school districts. Reformers such as Mr John Chubb at the Brookings Institution want different groups to be able to compete for the right to run public schools. Mr Alexander, who has spoken of the need to "reinvent the public school", appears to favour such radicalism.

Accountability is a codeword for an even more controversial idea: national tests. The US, alone among industrialised countries, lacks a comprehensive examination system. There is nothing comparable with the French *baccalauréat*, the British A-level or the German *Abitur*. The few tests that are used, for example for college entry, are typically of multiple-choice format, and designed to measure aptitude rather than achievement. Like US television, they consist of lots of items, none of which warrants more than a few seconds' attention.

Reformers are beginning to recognise that the failure to test properly lies at the heart of educational problems in the US. Mr Bush has set some ambitious (and improbable) goals, such as that US students should be "first in the world in math and science by 2000". But how will the US know if it is gaining ground on Japan unless it introduces a decent examination system? And how can greater choice help to raise standards if parents lack objective information about schools' attainment levels? National tests are common sense. But that will not stop them being violently opposed, for example, as an infringement of individual liberties.

Plans for greater choice are less threatening. But faith in them may be misplaced. If competition is so important, why has it has played only a minor role in other countries? The biggest difference between the US and educationally more successful countries lies not in structure (most systems are bureaucratic) but in simple things such as effort and discipline.

Children attend school for 180 days a year in the US compared with 243 in Japan and about 230 in Germany. US students do only three-and-a-half hours' homework a week. And they avoid difficult courses: many do little maths and science; almost none masters a foreign language.

The arrival of the Alexander-Kearns team augurs well: it suggests that the Bush administration, at last, is serious about educational reform. But, like the Batman and Robin of Gotham City, this dynamic duo will often appear to face impossible odds.

Ironically, the biggest roadblock is the US Constitution. Powers not specifically granted to federal government are reserved for the states. Education is one such power. State and local government provide 95 per cent of the funds for education.

Washington is largely impotent. It cannot enforce greater competition, impose national tests or lengthen the school year. What it can do is preach eloquently and hope against hope that somebody out there is listening.

Marked as learned in the law

JUSTINIAN

There was more than the ordinary amount of jollity around the Temple this year over the list of the new Queen's Counsel. Everyone cheered the appointment of the first black woman at the professionally youthful age of 35. Ethnic minorities and equal opportunists hailed the lord chancellor's decision as a sensitive response to contemporary social demands. The profession as a whole found the inclusion of more women in the list and the establishment of a separate class of honorary QCs (the artificial silks, such as academics, lawyers, civil servants and solicitors) not unwelcome.

Until now, the Bar has reluctantly accepted social change. It has not, for example, welcomed – let alone encouraged – women practitioners. Female barristers were quaintly, if widely, believed to be over-emotional; it was thought that in order to succeed they had to suppress feminine attitudes. In a memorandum to the Monopolies Commission in 1969 the Bar Council said: "The fact has to be faced that the profession of barrister requires the masculine approach (however fallacious it may be) to reasoning and argument, and women only succeed in such activities if they have a masculine disposition." Happily, one cannot imagine that being said today.

Given that the gender hurdle has now been successfully negotiated, what public benefit is there in conferring an accolade each year on approximately three score and ten advocates? The function of Queen's Counsel is to maintain a cadre of leading practitioners – roughly 10 per cent of the 6,000 practising barristers – to provide a more expert service than the general run of barristers can offer.

Queen's Counsel advise or appear as advocates in the bigger or heavier court cases. They discard the routine work of drawing up pleadings in litigation. Their paper-work decreases, but their responsibility for the conduct of cases in the courtroom increases. They are the luminaries of the profession as a result of proven professional ability and forensic quality.

Queen's Counsel become the chief exponents of legal argument in the high courts of the land. As such, they attract more readily the tired old myth that a lawyer's argument is of no value because he is paid to deliver it (and, as a QC, more highly paid than his stuffed-gown junior colleague). Dr Johnson had the answer to that quip: unlike testimony, which you might disregard, he said, argument is argument, and you cannot help paying regard to arguments if they are good.

Dr Johnson relied on a piece of Baconian imagery. Francis Bacon said: "Testimony is like an arrow shot from a long bow; the force of it depends on the strength of the hand that draws it. Argument is like an arrow from a cross-bow, which has equal force, though shot by a child."

There is an argument – good enough to demand attention – that "taking silk" (becoming a QC) is an anachronism. The quality of professional services cannot depend upon whether the practitioner is entitled to put QC (or KC in times of a male sovereign) after his or her name. In fact, the initials may even deceive the consumer if the lawyer's skills are not up to the standard implicitly promised by the letters patent. Solicitors who instruct counsel are, of course, not so readily deceived.

Some of those who apply to the Lord Chancellor do so less with a view to practising in the front row of the courtroom than to obtaining a passport either to judicial office (usually as a circuit judge) or to some other remunerative occupation outside private legal practice. Successive Lord Chancellors have attempted to prevent the system being used this way. They do not always succeed.

Some new Queen's Counsel do not make the transition sufficiently well to ensure an adequate income, and fall by the wayside. This is less a problem now than it was in the past. Until the 1970s, many junior counsels did not apply to join the ranks of their seniors for fear that their level of earnings might not be sustained; others felt happier in a less-exalted role.

In recent years, however, most barristers have seen the taking of silk as the pinnacle of a professional career – short of elevation to the Bench. Every year, the number of applications exceeds the number of those who are awarded their letters patent: roughly one in five are preferred. Only a handful – the high-flyers in the profession – succeed the first time. Many have to wait three, four, or even more years before achieving their ambition. Every year, unsuccessful applications cause much perturbation and worry. The system has led one or two notable barristers to leave the Bar, rather than be subjected to the indignity of seeing their peers promoted while they are left behind.

Is there a case for abolishing the highly-competitive element in the system? In other Anglo-Saxon jurisdictions which have taken over the system of having senior counsel, a different and healthier process applies. When a practitioner at the Bar feels that he or she is ready to take the decisive step, permission is sought from the leader of the practising profession to apply to the relevant minister or chief justice (the equivalent of the lord chancellor). Once that permission is granted, the applicant almost automatically is made a Queen's Counsel, subject only to a veto held in reserve for cases of known impropriety. The application is made singly at any time, thus avoiding the annual race. The distinction is conferred without the fuss and bother of a ceremony.

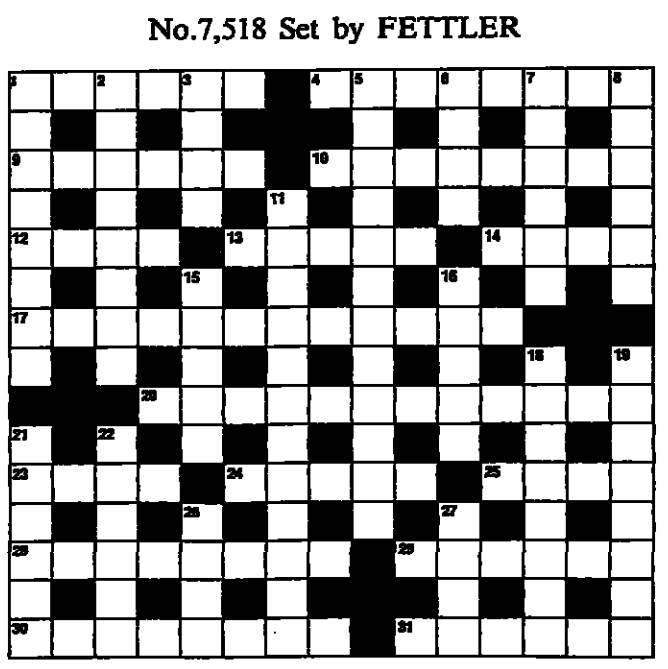
The tradition of Her Majesty's Counsel learned in the law – the precise words of the letters patent – is worth preserving merely as an honour conferred on successful practitioners within the profession. To give it greater meaning is to endanger any public benefit associated with the honour.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,518 Set by FETTLER



ACROSS

1 Modern stretcher changes one for one (6)
4 Charles enters into honourable acquisition (8)
9 Prancing trio harnessed to spirit vehicle (6)
10 Got through viva, we hear, yet rustication resulted (8)
12 Dough, it's said, is often in this form (4)
13 Here's power for the church (5)
14 Service the main body (4)
17 One looked after with purpose (6-6)
20 Abe, from rural spread, is a rustic worker (4-8)
23 Penniless innocents won't be served in these places (4)
24 Plebs leader takes the part of the poorest class (5)
25 Spirit perished, lacking shelter (4)
28 Grip thus when moving the goalposts (8)
29 Terrible lie and contradiction (6)
30 Moslem on a demo imbibed a soft drink (8)
31 Requested a bit of breakfast in bed (6)

DOWN

1 Ex-head displays unpunctuality (8)
2 Time's corrupting, as well as moving apace (8)
3 Note, weather's cooler in Australia (4)
5 Scrambling, Ben and Una scaled what could never be climbed (12)
6 Musical acts in variety (4)
7 A woman in the USA, for example (6)
8 Join up loose tinsel (6)
11 Celebrated French like to dream imaginatively (12)
15 Lamb's comment when the French came in to face the bowling (5)
16 Lay on the concrete (5)
18 In engendering good manners ... (8)
19 ... for example, the duke was apprenticed (8)
21 Concerned with seeing us returning in a vessel (6)
22 Worker on edge in Ulster (6)
26 Con's getting a drink (4)
27 There's no time in this place (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 27.

BASE LENDING RATES

	%		%		%
ABN Bank	12½	Comm. Bk. of London Plc	12½	McDonnell Douglas Bnk	12
Adam & Company	12½	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12½	Coutts & Co	12	Mount Banking	12
AIB Bank	12½	Cyprus Popular Bk	12½	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Dunbar Bank PLC	12½	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12½	Northern Bank Ltd	12
Bank of Baroda	12½	Equatorial Bank plc	12½	Nykredit Mortage Bank	13
Banco Bilbao Vizcaya	12½	Exeter Bank Limited	12½	Provincial Bank PLC	15
Bank Credit & Comm	12	Financial & Gen. Bank	12½	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12½	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12½	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12½
Bank of India	12½	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12½
Benchmark Bank	13	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit. Bk of Mid East	12	Heritable & Gen Inv Bnk.	12½	Unity Trust Bank Plc	12
● Brown Shipley	12½	● Hill Samuel	12	Western Trust	12½
CL Bank Nederland	12½	C. Hoare & Co.	12½	Westpac Bank Corp.	12½
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12½	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

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